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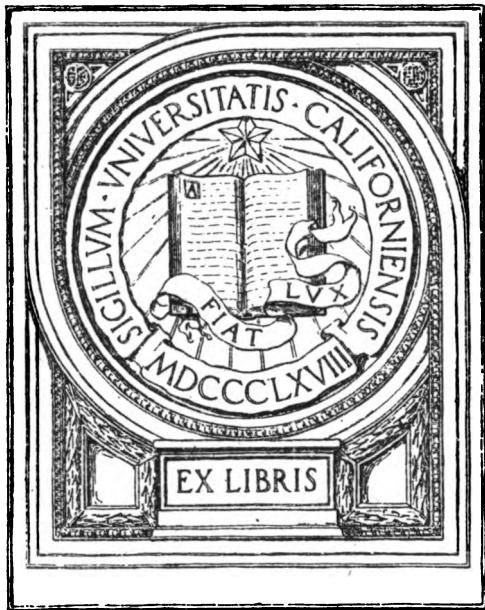
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# *Bankrupting a Great City*

Henry H. Klein











# BANKRUPTING A GREAT CITY

(THE STORY OF NEW YORK)

BY

HENRY H. KLEIN

"  
AUTHOR OF

*"Standard Oil or The People"*

*"How to Prevent Economic Disaster in America"*

CHIEF INVESTIGATOR FOR

Aldermanic Street Cleaning Committee (N. Y. C.) 1907

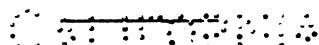
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N. Y. CITY

# A STORY THAT AFFECTS ALL CITIES AND ALL PEOPLE

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ILLUSTRATED

THE VINTAGE  
ADVENTURE



## F O R E W O R D

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The first ten chapters of this story were written in 1911, the succeeding twelve in 1913, and the last four in 1915. It required no gift of prophecy to foretell the result of accumulated waste and mismanagement such as described in the following pages. The purpose of the story which is based solely on facts, is to awaken the people in all large cities to the danger which confronts them. Unless the cities acquire additional revenues or curtail the cost of government, bankruptcy is certain. Taxes will become uncollectible.

The cities must own their own public utilities or derive most of the profits therefrom, to provide for public need. Up to the present time, the bulk of profits of public service corporations has gone to increase the already swollen fortunes of only a few men and families. The cities can acquire most of the income from these properties without cost and in a simple manner. If the nation limits private fortunes to a reasonable sum, say ten million dollars, all wealth in excess of that sum goes back to the nation. The nation thus becomes the possessor of securities in all large corporations and of national, state and city bonds.

These bonds can be cancelled to relieve the burden of public debt. The bulk of profits on public utilities would go to the cities and states in which they are located, while the nation would draw its income from national railroads and industrial corporations. Nation, states and cities would be provided with new revenues and taxation might in time disappear. The cost of living would be lowered and the menace of large private fortunes removed.

This is the remedy not only for burdensome taxation, but for economic hardship in the United States. Greed for gain has produced gross social inequality and extravagant and corrupt government. The cause must be removed. It is the hope of the author that this result will be accomplished.

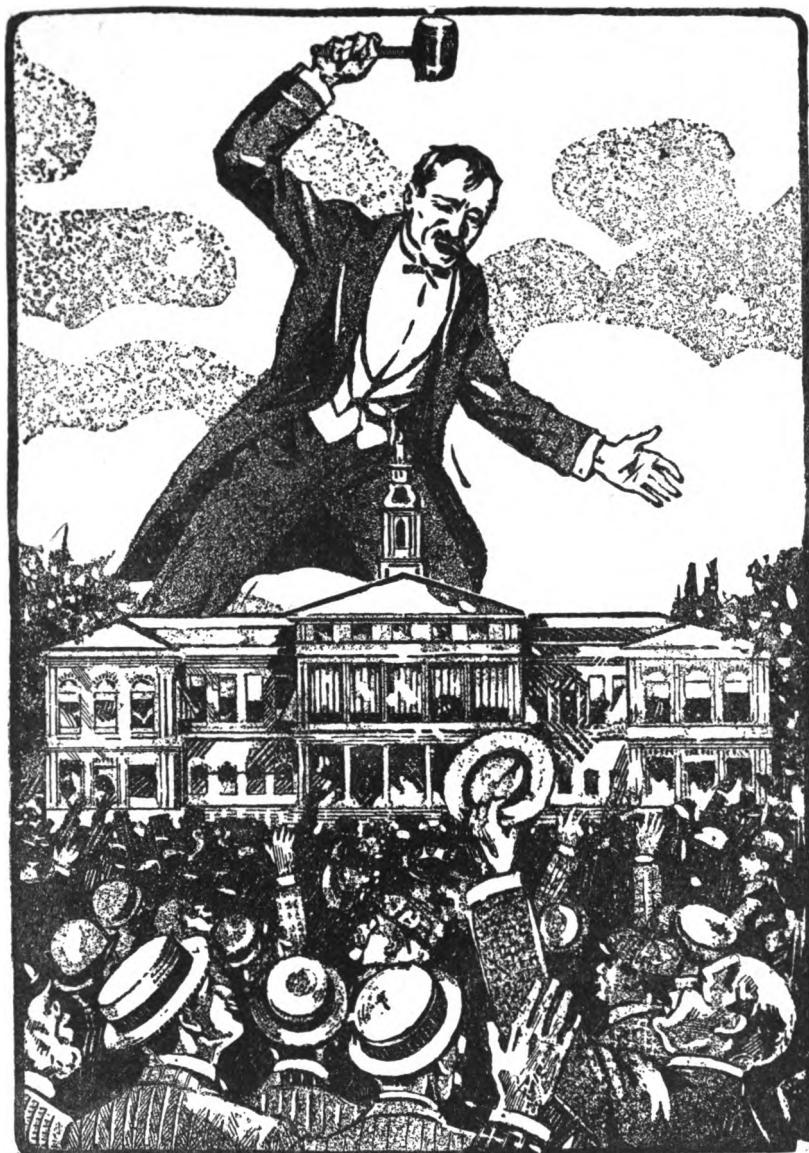
## CHAPTERS

	PAGE
I. The City Hall Sold to the Highest Bidder.....	7
II. The Slumbering Citizen Awakes.....	15
III. Counting the Cost of City Mismanagement.....	23
IV. Viewing the Graft with the Reporter.....	31
V. Waste in Bridges and Street Cleaning.....	39
VI. Water Waste and Extravagance.....	46
VII. Dock Mismanagement and Graft.....	53
VIII. The Corruption of the City's Police.....	59
IX. The City's Health Bartered for Gold.....	67
X. Five Million Dollars a Year the Extortionate Cost of City Lighting .....	75
XI. Park Department Privileges and Property Exploited for Private Gain.....	83
XII. The Lives of the People Were Imperilled and Their Money Wasted Through Political Misuse of the Fire Depart- ment .....	89
XIII. The City Was Robbed of Millions of Dollars Through the Acquisition of Land for Public Use—Innocent Investors Were Victimized by Land Speculators.....	95
XIV. Vast Fortunes Were Made Out of City Franchises and the People Were Grossly Overcharged and Defrauded by Swindling Financial Operations.....	101
XV. The City's Millions Were Wasted and Its Dependents Im- properly Treated in the Hospital, Charities and Correc- tional Departments.....	107
XVI. Education In the Public Schools Was Misdirected and Millions of Dollars Were Wasted by "Bureaucratic School Government".....	113
XVII. The City's Money Was Wasted and the Interest of Its Citizens Otherwise Damaged Through Improper Street Paving and Faulty Sewer Construction.....	119

## CHAPTERS

	PAGE
XVIII. The City's Tenements Bred Vice and Crime While the Functions of Its Tenement House and Building Bureaus Were Neglected.....	125
XIX. The City Paid Twice What It Should for Printing and Stationery and It Spent \$400,000 a Year for the Repair of Automobiles Used by City Officials—Its Peddlers Were Victimized on Licenses.....	129
XX. The City Elected a "Reform" Administration, but the Failure of Economy Only Aggravated Its Financial Embarrassment .....	135
XXI. The Mayor's Character Was Gradually Revealed by His Own Official Acts and His "Economy" and That of His Associates in Office, Continued to Hasten the City's End	141
XXII. The Climax of the City's Mismanagement Was Reached With the Acceptance of a Subway Contract Which Drained the City's Last Resources and Which Meant Profits of Untold Millions to Private Individuals.....	147
XXIII. The Reformers Conspire to "Save" the City.....	153
XXIV. The "Reform" Candidates Were Elected as a Rebuke to the Political Power Which Impeached an Unworthy Governor .....	161
XXV. The Final Assault on the City's Credit Came With an Attempt to Turn Over Its Remaining Waterfront to a Private Corporation. The Humbug of "Efficiency and Economy" Was Exploded.....	165
XXVI. The City Failed Because Its Borrowing Capacity Was Exhausted, Its Power of Taxation Overreached and Its Principal Assets in the Hands of Individuals and Private Corporations .....	173
Statistical Tables .....	181
Father Knickerbocker Dispossessed (cartoon).....	188

**GOING! GOING!! GONE!!!**



**The City Hall Sold at Public Auction**

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## CHAPTER I

### THE CITY HALL SOLD TO THE HIGHEST BIDDER

"What am I offered? What am I offered, gentlemen, for this fine building, this superb structure, this beautiful historic gem, this monument of municipal greatness and glory—the finest building in the western hemisphere? What am I offered?"

The City Hall was for sale and the auctioneer mounted a platform at the foot of its marble stairs. In front of him, the park was packed with people to witness the sacrifice of the city's last and most precious parcel—the sole remaining emblem of its prestige and power. The majesty of the city was gone.

The city was *bankrupt!* The burden of its debt was too great for the taxpayers to bear! It was unable to pay interest on its bonded debt and the swarm of creditors and bondholders, following the usual course, petitioned the court for relief. The petition was granted.

The public debt was *stupendous*. It exceeded a *thousand million dollars*. It approximated the debt of the entire nation. The city's total bonded obligation was greater than the wealth of its *entire* population, save the fortunes of half a dozen families.

Its annual interest requirement was ENORMOUS. It exceeded the weekly income of *all* but a few of its five million people. The total interest and redemption was fifty million dollars, most of it made up by taxation. The balance was paid out of income on public property.

The tax rate was virtual confiscation. It approximated the *net income* on part of the city's taxable property. Unimproved parcels that returned no profit were only a drug on the market. They were a burden to carry. Excessive taxation made them unsalable. Some of these were assessed for *more than* they were worth and unpaid taxes accumulated at high interest.

The sale of improved property ceased long ago. It was realized by shrewd investors that the financial ruin of the city was impending. The public funds had long been wasted and the city's only remaining asset was—its despotic power of taxation. This was now gone, for taxation had reached its legal limit.

Frequent charges of official misconduct had been made, but proof of guilt was followed only by banishment from public office and—a depleted public treasury.

The city was ruined through the corruption of its politics and through the base betrayal of its people. Incompetency in public office only hastened the

end. Even the newspapers failed in their duty to expose the public wrong. The silence of some of them had been purchased, while others failed through inefficiency and lack of public zeal.

The crash was *inevitable!* The limit of the city's borrowing as well as taxing had been reached. Bankruptcy saved the people from a worse fate, for confiscation of private property and ruin were the only alternative. The city chose the wiser course, the disaster was robbed of its terror and the city was left where its redemption, and even its final restoration, *might be attempted.*

Such was the picture in the public mind when the sale of the City Hall began. There had been talk of repudiating the last five millions of public debt in order to save the city's capitol, but the people were finally persuaded that the only hope of restoration lay in a complete wiping out of the city's obligation.

Not a sound followed the auctioneer's call. It was as if a funeral hymn has been chanted over the remains of a dying city.

"Come, gentlemen," the auctioneer gently urged. "What am I offered? This parcel must be sold. I wish I didn't have to sell it. Five millions must be paid and the city must raise it on this property. Four acres of the finest real estate in the world goes with this building."

The people looked around in awe. In front of them the plaza was covered with chairs occupied by persons who had come to bid. Where they stood were restricted grass plots, cemented walks and a city's lifeless fountain. The fountain was covered with dust.

"I'm worth a million dollars," muttered a weak and trembling voice, "and I'll give every dollar I own to save the City Hall."

The people looked in admiration at the old man. He was tall, thin and leaned heavily on a cane. They praised his generosity.

"One million dollars I'm offered," sputtered the auctioneer, "one million dollars! I wish I could sell it for that sum to that gentleman. He's worthy of a monument where he stands. Who will help him raise the sacrifice to five millions?"

Not a voice responded. The unexpected offer roused the people to new hope, but the silence that followed crushed them. The auctioneer waited for another bid.

"Two million dollars," exclaimed another voice.

"Two million dollars," the auctioneer called.

The bidder was a young man, surrounded by a group of older men, who seemed sponsor for his bid.

"Why, two million dollars won't pay for the ground on which the building stands. It's worth more than that without the park. What's your offer, gentleman?" the auctioneer retorted.

The crowd pressed closer to the auctioneer's stand and encroached on the plaza where the aristocracy of business and finance was gathered.

"Three million dollars," exclaimed another voice.

"Three million dollars," shouted the auctioneer.

All eyes turned toward the new bidder. The crowd echoed the auctioneer's call. The bidder was prominent in the city and a leader in sectarian affairs. He was a well known contractor who had retired with a fortune estimated at ten million dollars. He added the last five million to his pile through a change in the motive power of a city railroad. The railroad afterward became BANKRUPT and when its affairs were wound up and the receivership ended, it was found that not a dollar of old capital remained in the treasury.

Thousands of business men who invested their small savings in the railroad were ruined by the collapse. Widows, whose only inheritances were in the railroad's securities, were impoverished. The finances of the road were reorganized, new capital was injected, and the paper securities in the hands of the public were left without even the value of a dollar. New stocks and new securities were issued; the old were wiped out.

"Three million dollars," repeated the auctioneer. "Three million dollars. Why, the property is worth ten times that sum. It's assessed at \$20,000,000 and it's worth a great deal more. Where's the man who wants to make his fortune on this deal? He'll go down in history if he buys this parcel. That's worth three million alone."

"Three million, five hundred thousand dollars," shouted another voice.

"Three million, five hundred thousand dollars," the auctioneer repeated. "It looks as if we're all poor. Five hundred thousand dollar bids. That's a pity." The auctioneer raised his voice.

"Why, if we can't get more than that for this property, I'll bid it in myself," he shouted.

The audience laughed at the threat.

"Yes, and I'll borrow every dollar from the bank, too," he added. "Why, the statue on this building is worth more than that for a souvenir."

The humor struck the crowd. The statue was that of Justice *blindfolded*. The last offer was from a prominent lawyer who represented an estate of vast wealth. The widow, sole executrix and beneficiary, had spent thousands of dollars to improve the appearance of the interior of the City Hall. She was engaged in many philanthropies. There were *rumors* that she would save the capitol for the people.

"Four million dollars," came from another voice.

"Four million dollars," the auctioneer called. "A million an acre without the building."

The bid was from a group of real estate speculators.

"Four million and a half!"

The crowd strained to see the new bidder.

"Four million, five hundred thousand dollars," the auctioneer called.

"Four million, five hundred thousand dollars! Look around, gentlemen, and see what you're getting."

The crowd swept its eye over the scene. In front stood the stately edifice on the block. The history of the city's progress was written in every line. Its doom was foreshadowed in the last offer. Behind them the people saw the symbol of a mighty nation in the heavy outlines of its sombre granite post office. The majesty of a free and enlightened press was proclaimed from the gilded dome of the lofty structure that towered over the City Hall. The park was the centre of the greatest commercial activity in the world. It was the heart of a metropolis that pulsed with the pride of an anxious and stirring people.

"Four million, seven hundred and fifty thousand dollars," came the next bid.

The crowd moved uneasily. The auctioneer repeated the call. The bid was from an estate that owned property worth ten times that sum.

"Five million dollars!" cracked a final voice.

It was like a thunder clap. The effect was startling. Every eye strained to see the bidder. Every neck stretched toward the voice. The people pushed forward in a mass and some of those who were seated in front moved away. The bidder was tall, slim, and wore a dark brown moustache. He occupied a seat in the front row, but was now standing that all might see him. His bid was a challenge to all those present.

The bidder was quickly identified. He represented a group of the most powerful financiers in the world. He was formerly their agent in one of the large insurance companies, where the money of the policyholders was used to exploit the financiers' private enterprises. They controlled the wealth of the nation. The end of the bidding had come for it was plain that no one could match the resources of this financier.

"Five million dollars," exclaimed the auctioneer over the rumble and noise of voices. "Five million dollars!—Any more?"

There was no answer. The auctioneer raised his gavel.

"Any more?" he repeated.

Not a voice responded. The banker remained standing. The people stared at his audacity.

"Five million dollars!" the auctioneer again called. "Five million dollars first, five million dollars second, five million dollars third and last call. —Any more?"

There was a stir in the crowd of spectators.

"Let me at 'em, let me at 'em!" shouted an angry voice. "They're the ones that ruined the city. They stole the city's money by buying its bonds and now they want to buy up the city itself. Let me at 'em, the robbers!"

"Yes, they bought the bonds and never put up a dollar for them, either," answered another. "They gave the city a little at a time and drew interest

on the whole round sum. That's what they did. The city had no right to issue bonds at all. They ought to have paid expenses out of each years' taxes without bond issues. It was throwing millions away for the benefit of the bankers, that's all."

The outburst was lost in the auctioneer's roar as he banged his gavel and completed the sale.

"Going, going, gone!" he shouted.

The people were too stunned to move. The group in front hurried away and the crowd pushed solidly forward. Chairs were overturned and trampled upon, but the crowd was checked until the formalities of the sale were concluded and the successful bidder was out of reach and on his way downtown in an automobile. A check for ten per cent. of the purchase price was left to bind the bargain.

The city had defaulted on bonds that were issued for asphalt pavement. They totalled \$40,000,000. Counsel for the taxpayers who protested against their payment pointed out that the bonds were *illegal*.

"The city can lend its credit only for *permanent* public improvement," he argued with the city's officials. "The pavements for which these bonds were issued have long been used up and replaced and the improvements were only *temporary*. Some of the pavements have been replaced more than once and the city is therefore paying interest on more than one set of bonds for pavement on the *same streets*. The bonds should be repudiated."

The bonds in dispute had forty years more to run with interest at four per cent. The interest was \$1,600,000 a year. The city officials, who vainly battled against the tide of extravagance, decided to end the unequal struggle by confessing the city bankrupt and by throwing its finances into the hands of the court. Only a few years before the court had been invoked to determine the city's last borrowing margin, the debt having grown so enormous that it was claimed that the margin had been wiped out. Since that time realty assessments had been increased \$1,500,000,000, and the \$150,000,000 added to the margin of credit was exhausted.

The city's net bonded debt at the time of the failure was \$800,000,000. Its gross debt was, as stated, over *one billion dollars*. Its annual budget for administrative expense was \$200,000,000. Its annual outlay for "permanent" public improvement was \$50,000,000, and this did not include the expenditures for a new water system amounting to \$30,000,000 a year. The city's total annual outlay, therefore, was over \$250,000,000, and more approximately \$300,000,000.

The city had as security for its outstanding bonds property of an appraised value of one billion two hundred million dollars. It had a park estimated at \$350,000,000. It had another appraised at \$150,000,000 and one in another section of the city, valued at \$25,000,000. It had two others valued at \$15,000,000 each. It had small parks in every section of the city; it had school houses costing \$100,000,000 erected on property worth half that sum more; it had police stations and fire houses on other valuable par-

cells; it had waterfront property and an interest in an underground railroad whose value to the city was *only* in the future.

The bonds for the railroad, amounting to many millions of dollars, were issued so that interest was paid out of earnings and the bonds themselves were amortized at the rate of a small fraction each year out of profits. The railroad itself, *without* equipment, reverted to the city after two generations. The city had advanced its credit to those who were operating the railroad for their *own* profit; and the profit was enormous. Only a few years before the failure, the city had obligated itself to the extent of \$200,000,000 for additional subway facilities on even more *unprofitable* terms!

The first sale under the bankruptcy order was held in an outlying part of the city. The park valued at \$25,000,000 was disposed of. It brought \$5,000,000 and was bought for investment and speculation. Some of those who bid on the City Hall parcel bought slices of the park. One slice was purchased by interests identified with the railroad, with part of the railroad's profits. They bought two fifths of the park for \$2,000,000.

"We'll extend the railroad to the property," they announced and urged the public to buy from them at greatly increased prices. They applied to the city for permission to extend the road and *for payment of construction cost*, and they themselves were to do the constructing and render the bills to the city. This exclusive privilege of subway construction was provided for in the old rapid transit act under which the road was built. All future subways were to be regarded only in the nature of additions to the present structure.

"Cure congestion and save the lives of the little ones," they urged on the city authorities as an argument why the road should be extended. "Get the people out into the suburbs."

The argument was REPEATED by many worthy citizens.

The city's richest parcel brought only \$100,000,000. This was a genuine disappointment to the city's chief executive, who had been appointed receiver of the city's property by the court. The receiver appointed as counsel his protégé, a lawyer and a former city official. The sales were conducted under the latter's direction.

The money derived from this parcel, which had been cut up into fifteen parts, was used to take up bonds that had been issued for various purposes. Some of it went for bonds issued for the new criminal courts building, which cost \$3,000,000; some for the new city record building and for the new municipal building.

The remainder went for bonds issued for minor municipal purposes, such as the purchase of plant and stock for street cleaning. This stock had been used up many years before the bonds became due and the plants were twice rebuilt since the first bonds were issued. A large part of the money was used to take up the pavement bonds on which the payment of interest had been refused. One set of these bonds, totalling \$100,000, had *100 years more to run with interest at seven per cent!*

One hundred million dollars from the rest of the property went to defray the cost of bridges; \$15,000,000 for the consolidated library; \$20,000,000 for armories and armory sites; \$50,000,000 for small parks; \$100,000,000 for new streets, \$150,000,000 for school houses and sites; \$25,000,000 for public museums and hospitals and millions more for water works, water pipes, water plants and other municipal purposes.

*There were even some bonds for the construction of the old granite courthouse, that stands a monument of ancient historic graft!*

A large part of the city's property was purchased by former city officials who were retired and wealthy. One of them, reputed worth millions, purchased property for a million dollars. He obtained a choice section of the great park in the heart of the city on which it was said he intended to erect a row of high-class apartment houses. This former official, it was said, owned a large block of stock in a private lighting company which derived several million dollars a year from the city for power and illuminating current. He had, when in office, the responsibility of endorsing the company's bills and the authority to increase or curtail the use of the company's service. It was also reported that he had a fortune invested in real estate and government securities.

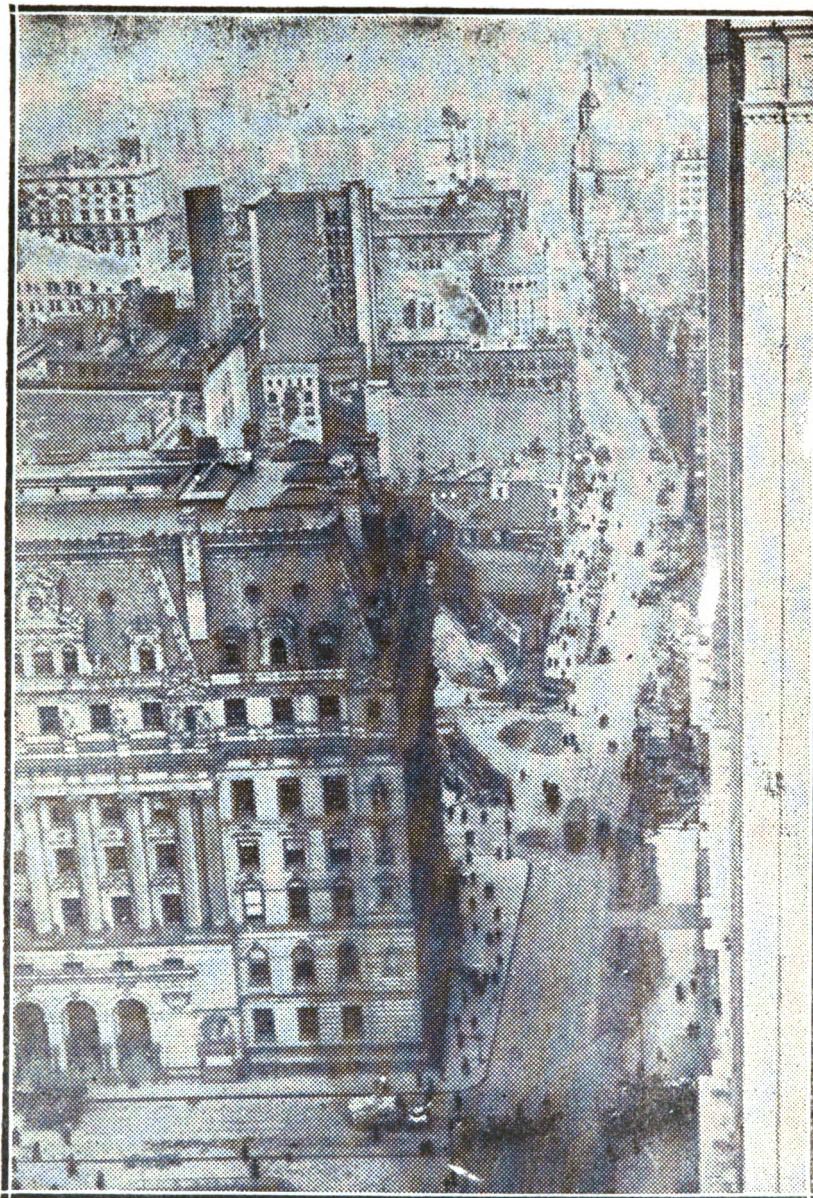
Another purchaser of city real estate was a former law officer of the city, who acquired a dozen small parks for only a fraction of their value. This citizen was long out of office, but his wealth accumulated so rapidly that he was rated several times a millionaire. His purchases aggregated a million dollars. His knowledge of values was based on his experience in office where he selected condemnation commissioners who fixed the value of parcels purchased by the city. The law officer's friends were interested in the sale of many of these parcels.

Other politicians made speculative purchases. Some of them bought on slim margins, while others were known to be wealthy. One of the largest purchases was made by a man who represented a powerful politician out of the country. He acquired city property for two million dollars. The politician was also a large stockholder in the construction company which secured a large share of the profits of the city's underground railroad through a contract which his puppets in office had made for the city.

The *Sale of the City Hall* cleared the city of its final debt. It was now without a dollar. It had no surplus, debt, or capital, and its only assets were prospective. Its sinking fund was exhausted, and the only course left to redeem itself was, in the future, *to do business on a business basis*.

*The taxpayers were willing to try the experiment.*

## A VISTA OF MUNICIPAL EXTRAVAGANCE



A building for MINOR city offices that cost ten million dollars. A building where criminal justice is dispensed, that cost three million dollars and must be TORN DOWN. A headquarters for the Police Department that cost more than one million dollars and a building for the Health Department leased for twice a fair rental. A municipal building that cost \$22,000,000.

## CHAPTER II

### THE SLUMBERING CITIZEN AWAKES

There were signs of awakening responsibility in the people after the sale of the City Hall. The situation was far too serious to admit of further trifling by a public that was once indifferent. The full extent of the city's financial disaster was now becoming known and the public was beginning to grasp the facts. The sale of the city's capitol brought a fuller realization of the tragedy.

"We ought to have known better," remarked a man of middle age as he left the scene of the auction. "We should have prevented the disaster by jailing some of those responsible. The city was wronged by its own servants and the people should demand prompt and proper redress. The guilty must be punished."

"I fully agree with you," responded the speaker's companion, mildly. "The guilty should be punished. But so should those others who, through lack of public zeal or personal courage, permitted the wrongs to be perpetrated. They're to blame, just as much as the more pernicious culprits who betrayed the public trust and looted the public treasury."

"You shock me by your accusation," exclaimed the first speaker. "How can you be so severe on the citizens whose confidence has been so fearfully abused?"

"That's just it," exclaimed the second speaker, sharply. "There would be no such frightful abuse if the people had only been alive to their true condition. They would have throttled any attempt at public wrongdoing on the part of those in office and there never would have been a chance for so great a disaster. The people are participants in crime under the law, for they heard the frequent cry of 'thief,' but were too absorbed in their own business to heed the warning. They let the fugitives escape, and others, following their successful example, went and did likewise. The result is that the city is *bankrupt*."

"I think your strictures a bit severe," commented the first speaker, reflectively, "but may be you are right. At any rate, we've learned our lesson now and we've got to make the best of it. We've got to get together and pull ourselves out of this hole, or we'll go in deeper and drown. So let's begin right now and I'll do my share if you'll show me the way."

The first speaker was a well-to-do merchant who had been earnestly engrossed in private affairs for many years. He had amassed a fortune through close application to business. His sole effort at active citizenship in these years consisted of hasty visits to the polls on election day and voting

for the candidate of his "choice"—the choice of one of the two leading political parties. His interest went no further, though he styled himself an independent voter and prided himself on his *bold* political conduct.

The second speaker was more serious in his duty toward the city and its people. He was an active social worker who was spending his own small fortune to help those in actual want. His life was devoted to the genuine welfare of the poor. He studied the broader public questions, feeling that the city's own welfare was linked with that of its poor. His opinion on this point was confirmed by private investigation. He followed the course of public events closely, believing that an end to the debauchery would bring relief to those whose well-being he served.

"While we are about it, let us begin right at the beginning," suggested the social worker. "In the first place, we're too simple to be able to grasp all the facts at once, so we'd better go slowly and pick them up gradually and with great care. We must begin by learning how much it costs to conduct the city's affairs, and then find out why it costs so much and how much of this money was properly spent and how much wasted. I have devoted some time to a study of these questions and will impart whatever information I have to you, if you are willing to hear it."

"I am more than willing," responded the merchant. "I am eager and anxious to learn it all. What I also want to know is who benefited by the public waste and whether the waste was intentional or otherwise. I want to be able to establish full responsibility for the city's wrongs."

"As a beginning, then, I presume you know that it cost the city approximately \$200,000,000 for annual running expenses," resumed the social worker. "All this, with the exception of \$50,000,000, was distributed to the heads of departments for administration purposes. Of the \$50,000,000, forty millions were devoted to maintaining the city's credit by the payment of interest on its bonds and \$10,000,000 to redeem some of these bonds. This, of course, is all wiped out now. There are no bonds to be redeemed and no interest to be paid.

"The annual budget of \$200,000,000, which is provided from the tax levy on real estate (less than four per cent. comes out of personal taxes), means \$40 for every man, woman and child in the community. It means \$200 a year for an average family of five."

"This is a novel computation," commented the merchant. "I never figured that I owed the city anything for my children."

"Yours is simply another way of reckoning," responded the social worker. "I have expressed it more concretely. The money is raised by taxation, and the landlord pays the taxes. The people pay the landlord. That's the simple A B C of the matter. The public, including yourself, pays the bills.

"You may be amazed at this expenditure, but you have only part of the figures. The excessive cost of government has a direct bearing on the social conditions of the city's poor, and I have analyzed the situation from that point

of view. The social conditions become worse as the cost of government increases and taxes and real estate assessments mount higher. The logic of the situation is that where the taxes on property increase, the rentals must rise to cover increased taxation and to yield a fair return on the investment. Since the city's failure, there has been a sharp decline in rental values and a further decrease in the value of improved property."

"I realize the force of your argument and I can readily see how you have been led into a study of the city's financial affairs," responded the merchant, warmly.

"Instead of costing the city \$200,000,000 a year," resumed the social worker, "the actual cost exceeds \$250,000,000."

"Whew!" exclaimed the merchant. "You take my breath away. I never dreamed the city could spend that much money in a single year."

"I'm not surprised at your astonishment," resumed the merchant's companion. "I was astonished myself when I first learned the figures. I could scarcely grasp them and I could hardly believe they were true. But I soon got over my excitement as I became familiar with the facts."

The merchant gazed in wonder at his companion. They were standing near the towering structure by the side of the City Hall.

"Those extra expenditures above \$200,000,000 a year have gone for purposes of 'public improvement,'" pursued the social worker. "The ground on which this building stands costs the city \$6,000,000. That corner there (pointing to the south end of the structure) was once a small triangular plot on which an old ramshackle building stood. The city paid \$1,500,000 for the property and paid it cash. It paid fancy prices for every parcel in the plot and in some cases the parcels were plastered with more than one fictitious mortgage. A large part of the property was held by dummies for politicians and no amount of newspaper exposure could check the lavishness of the awards paid them. The city's experts appraised the parcels at a million dollars less than was paid, and these appraisals were regarded as generous. The million dollars was *wasted* in excess awards."

"One of the parcels at the north end of the plot consisted of two single lots for which the city paid close to \$400,000, including interest. This property was owned by an estate represented by a *distinguished jurist* and the difference in the estimates of its value by experts for the property owners, is amusing. One set of experts swore that the property was worth \$100,000 and a few months later another set swore that it was worth five times that sum. The first appraisal was made for purposes of taxation by the State after the death of the testator; the second for purposes of disposal to the city."

"How interesting! And the jurist is still on the bench?" asked the merchant.

"No, he is now THE MAYOR OF THE CITY," replied the social worker. "This transaction aptly illustrates how the city has disposed of a large part of its income from the taxpayers. It is typical of the city's generosity in acquir-

ing more than \$100,000,000 worth of land in the past ten years. These proceedings have made a great many persons rich, but they *helped* to make the city poor.

"The prices at which the purchases were made were usually fixed by commissions of three men, appointed by the courts, at the suggestion of the dominant politicians. Nominally, the city is responsible for the selection of one of these commissioners, chosen by the city's own law officer, but as a rule the selection is dictated by the political boss. I cite the case of this parcel only because it is so conspicuous. There are other cases a great deal worse and we will come to them later. Every citizen knows where this property is, but few of them have any idea what it cost or to whom the money was paid."

"Your story is certainly illuminating," commented the merchant. "I have been in this city fifty years, from the day I was born, but I never knew it before. The truth is, I didn't know the city was buying this property until I saw some of the old shanties come down and the new building go up. I suppose the average man knew about as much as I did about this property."

"I thank you for your frankness," continued the social worker. "I am not surprised at what you say. Your story is simply the story of nine out of every ten men in the city—and I don't entirely blame them; though, as I said before, they are in a large measure guilty through lack of public interest."

"That's where all the trouble lies. Under our present system of political management, or mismanagement, if you choose to call it, the citizens' interest in public affairs is expressed only on election day. The politicians' interest is maintained 365 days a year and an extra day in leap year. That's why he is successful with the city's affairs—for his own profit. But that's another story and we'll take the politician up at some other time and tell all about his interesting affairs."

By this time the two men had reached the corner of the City Hall park and were standing in front of the magnificent marble and granite structure across the street.

"That," said the social worker, "is where the city keeps part of its musty old records. It also uses the building for several of its *minor* offices. I sometimes wish that the poor people whom I meet were fortunate enough to be ordinary lifeless objects so that they might at least be provided with so fine a home. None of them, I assure you, can boast of a *ten million dollar palace*."

"Good gracious!" exclaimed the merchant. "Is that what that building cost?"

"It is; and no one knows how much more," responded the social worker. "The records are not kept so that every item of cost in the building can be estimated. The cost is spread over a dozen years. You notice those

heavy bronze doors at the entrance? They cost thousands of dollars. You notice those heavy granite piles at the sides of the entrance? They are only an obstruction on the sidewalk, but they cost many thousands more.

"The marble and onyx floors and trimmings inside swell the cost several hundred thousand dollars, and the bronze and gold chandeliers throughout the building add many thousands more. They are of unique design and the casts were destroyed after each chandelier was made. Those door knobs that you see cost \$100 each and those desks, chairs and other furnishings in the building are worth a millionaire's ransom. But the city paid the bills and the politicians and their friends got the money."

"And did the people submit to all these extravagances without a protest?" asked the merchant, incredulous.

"They did. The people were asleep and the politicians didn't care. A reform administration tried to check the extravagances, but the check was only temporary and the result was only *added* expense. Two sets of architects were engaged on the job, and the final architects' bills were not paid until a few months ago, twelve years after the building was begun. The architects' fees were half a million dollars. The city paid \$500,000 a year interest on the bonds. This sum could have provided a building of sufficient size and grandeur for *all* the offices in the ten million dollar structure. Five hundred thousand dollars were spent for metallic filing cabinets and many thousands more for costly oriental rugs for the feet of city employes."

The two citizens wandered up the wide thoroughfare through which the underground railroad runs. It was the noon hour, and men and women were hurrying from factories and workshops to their luncheon. The city's financial disaster made little difference to them except, perhaps, that their burdens might become worse. It was in the frame of mind of open seekers after the truth that the two men came across a group of laborers seated on the curb in front of a factory building. It was like gathering wisdom from children what these two men learned from the opinions of labor.

"It's a fine state we're in," said a thick-voiced speaker to his companion. "And how could it be that the city is broke? We pay our rent, the landlord pays his taxes, and when we come around to the park with the kids for a little fresh air on Sunday, we find the benches crowded and the music still. Why don't they put more benches in the park and let the kids roll on the grass?"

"But you forget, Tom," said another, "that the city is *big* and *great*; that we've got all the millionaires in the world here and that everybody looks up and envies us. A good deal they don't know what's going on, but they're learning now that we're broke. Did you ever hear it said that the place for a young man to be is in the city, where he can get an education and grow rich and powerful? The devil a bit of riches we're got around my way where the old lady does the washin' and mendin' for neighbors and her own work besides. My twelve dollars a week don't pay for three measly

meals a day for the two kids and us. I wonder what it would buy in the country where I came from fifteen years ago?"

A third man entered the discussion. His limbs were less tawny and his face pale.

"There's no reason why we're living for someone else," explained the speaker, "except that we've grown up that way and we're tied down to it. We can't break our shackles now because if we did the whole 'system' would go to pieces and anarchy would follow. I once heard a speaker on a street corner say that the 'system' was made by men and that these men *ruled* the earth. But I don't believe that, because I don't believe any set of men would be willing to make slaves of their brothers for a few paltry dollars. I read where the fortunes of these rich men came from, and while it is true that most of them came from the government or from the people direct, I don't believe that these men really knew they were crushing others to make themselves rich. It would be mean to say that and you know we must take our lot as we find it and be charitable."

The merchant and his companion walked along in silence after a glance at the last speaker. It was the merchant who spoke.

"I wonder if they know where a single dollar of the city's money went?" he asked, reflectively.

"They know the money has been spent," replied the social worker. "They read the evening papers and glance at what they see. The kind of newspapers they read gives them froth and funny pictures and sounding platitudes. That's how the newspapers 'elevate' their readers. The newspapers say they give the people what they want and they give them trash on the theory that they find only trash in the reader's head."

The two citizens passed a heavy sombre structure where criminal justice is dispensed.

"This building cost the city several million dollars," said the social worker. "It is as much of an architectural misfit and economic blunder as is the Record building we just passed. It was designed by a different set of political architects. Every few years the city spends thousands of dollars for repairs to the building to save it from falling into the subway. It has cost more than \$1,000,000 for repairs in a dozen years and the end of the expenditures has not yet been reached. The city authorized the expenditure of \$2,000,000 for a new building just prior to its financial collapse."

After a few minutes the two men came to an imposing granite building, squat in stature, and long in reach. They had passed a new loft building which had recently been leased by the city for the use of its Health Department. The building occupied half a block and cost less than \$300,000. The rental paid by the city on a five year contract exceeded the entire cost of the property. The building was without light or heat at the beginning of the city's occupancy, and the city's employes were greatly inconvenienced in spite of the "experts" on the city's health who filled the department.

The centre of the imposing granite structure was surmounted with a lofty dome, while both ends were decorative but low. There was a granite archway at the north end of the building where city automobiles were waiting. Newspaper reporters ran to and fro in the building and gave the impression of high importance to their work. There had been a change in the executive head of the department, the headquarters of which was in that building, and the activity of the reporters seemed to indicate that an edict of importance had been handed down. Instead of that, it was only the vapid utterances of an arrogant and incompetent official.

"This is the home of the police force," explained the social worker. "It's another granite and marble pile that cost more than a million dollars and is worth a good deal less. Like the other buildings we just passed, the percentage of *waste* is enormous. The structure was built by two young men with political pull and the job was muddled through the failure of the contractors. You see that end where the automobiles stand? That caved in before the building was finished through lack of proper support. There is an \$80,000 electric plant in the basement of this building which has not been used and the story of this neglect will form an interesting part of another chapter of our discussion.

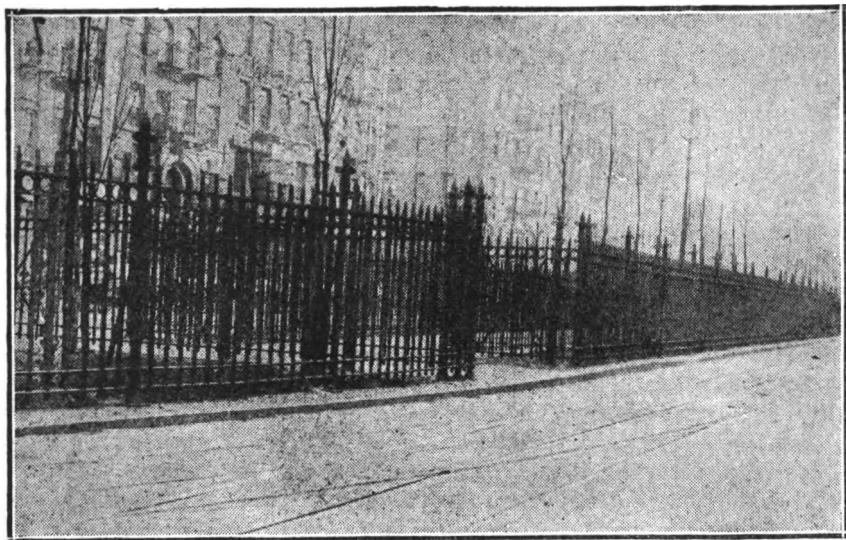
"All the money you have seen thus far spent for public buildings, was paid out of the 'extra' funds not included in the annual budget. Interest on these sums was paid annually, and it was to pay off bonds issued for purposes like these, that the city had to part with its last precious parcel to clear itself of debt. That's the way the city was managed. While the public debt was rising, no one cared how high it went or what became of the money.

"It was not until taxes became so great a few years before the failure that the public protest was heard. It was realized that the city was nearing a financial crisis. It was then too late. The city had already purchased private water plants and broken water mains at fabulous prices. It squandered millions on land owned by politicians in the watershed and in the city, and it spent millions for docks and other purposes devised by private interests for their own profit. It squandered vast sums on *useless* public projects.

"While the public debt was rising, no one seemed to care, and under the spur of official recklessness, the city's debt doubled in a few years. Taxation grew from one cent and a half on a fifty per cent. valuation basis, to two per cent. on full valuation. Under the State Constitution, taxes could go no higher.

**"AND THE PEOPLE PAID ALL THESE PROFITS, NOT BECAUSE THEY WANTED TO, BUT ONLY BECAUSE THEY WERE ASLEEP AND BECAUSE THEY DIDN'T KNOW WHAT THEIR FAITHLESS PUBLIC OFFICIALS WERE DOING."**

## THE CITY'S \$35,000 IRON FENCE



To Keep the poor off their own grass. A new Six Million Dollar Street, created as the approach to a profitless \$20,000,000 bridge. Some parcels of property along this street were purchased by agents of conspicuous politicians and sold to the city at exorbitant prices.

## CHAPTER III

### COUNTING THE COST OF CITY MISMANAGEMENT

The course of the two citizens now changed to another direction. They had gone less than a mile in their walk from the City Hall and already accounted for a large part of the city debt. They passed through a street that was newly created for the bed of the underground railroad and they crossed another street that was opened as the approach to a new municipal bridge. Four blocks of this street were named in memory of the mother of a noted politician who made large profits out of the city by the opening.

More than \$15,000,000 of the people's money was spent for these new highways. It was urged on the public when the streets were proposed, that the benefitted property owners would pay for the improvements. But with the aid of cunning lawyers and astute politicians, the property owners were able to shift the burden of cost on the city at large. The \$15,000,000 were added to the public debt and the people paid principal and interest.

"I won't burden you with too much information in one day," said the social worker to his companion. "Your education should be gradual so that you may remember the facts as you learn them. My own information is by no means complete."

"I am beginning to realize the task of tracing the public debt," responded the merchant. "I had no idea the job was so terrific. But I intend to learn the facts at any cost and will follow the trail to the end. I want to know all there is to be known about the city's affairs and I want to make it known to *everyone else*. The time has come when the citizens must take the situation into their own hands and govern the city for the *public good*."

"I will continue with this lesson as far as I can," resumed the social worker, "and when I have finished I will make you acquainted with a friend of mine who knows more of the facts. His knowledge is first hand, for he has investigated and exposed a great deal of the public wrong. He is a young reporter who has done the leading exposure work in this city in recent years; and his courage is commanding."

"Such a person is of precious importance to the people of this city at this time," declared the merchant. "We must seek him out for guidance as well as for information. His years of labor must have fully equipped him for the situation that is now at hand."

"We have accounted for something like \$50,000,000 of the city's debt contracted on only a few items," resumed the social worker. "There are

\$750,000,000 more of debt to be accounted for. In the first place, we must not assume that all this money was unnecessarily spent or recklessly wasted, but we are safe in assuming that a large part of it was *deliberately misapplied*; and we can estimate the waste on what we have already reviewed.

"Of the \$10,000,000 spent for the granite and marble Record building, *half was misspent*. The expenditures were not made with a view to furnishing a safe and commodious office building for public use, but solely with an eye to the most reckless extravagance. Otherwise there would be no solid brass trimmings or heavy bronze doors where cheaper and as serviceable material might be used; nor would there be marble bases for rich mahogany chairs and desks such as might be used but are not in the home of the richest banking syndicate. Neither would there be gold filled chandeliers to waste their splendor in the air.

"History and private information supply the names of half a dozen men who derived vast illegitimate profits from the construction of this building and from the purchase of its supplies and equipment. I might say a great deal more about the scandalous cost of various items in the building and about its expensive jobbery, but it seems hardly necessary to do so in view of the fact that there is so much else of municipal mischief to learn. Suffice it to say that the waste on this building is only illustrative of similar waste on other large municipal structures.

"Of the \$15,000,000 expended for new streets, *half was wasted*. The opening of these new streets added millions to the aggregate wealth of a handful of grasping politicians. They bought a large part of the property needed by the city and reaped large profits from their enterprise. They themselves fixed the price the city paid for their parcels through subservient condemnation commissioners.

"One of the politicians who profited handsomely from the first proceeding whereby property was acquired for the subway street, was a lawyer who was afterward elevated to the judiciary as a reward for his valiant services to the coterie. His conduct as a judge has since been questioned. Another distinguished citizen who profitted handsomely with the judge in the first proceeding that cost the taxpayers \$8,000,000, became a conspicuous figure in society thereafter. Others who became rich at the city's expense in this proceeding have since passed out of political power.

"The opening of the new street for the bridge cost the city over \$6,000,000. A large part of this sum was paid to the representatives of politicians conspicuous in that section of the city. One agent of this political group profitted to the extent of \$60,000. He afterward became a *city alderman*. The gain of other agents was almost as large. The profits were certain just as in the former proceedings, for the politicians knew in advance what property the city would buy and how much it would be likely to pay. They made their price accordingly. Some of the parcels they purchased which were originally of small value, were changed into valuable corners by the cutting through of the new street."

"I don't wonder these politicians are immensely rich," commented the merchant. "With that sort of information always in their possession I don't see how they could help getting rich even without other advantages."

"In addition to what they received from the city, their profits were great in other directions as a result of this improvement," continued the social worker. "They sold their corner parcels for a great deal more than they paid for them, and promptly turned the money over in other investments with the city."

"Your knowledge of the inside of these affairs is amazing," exclaimed the merchant. "You seem possessed of more information than even the city's own officials."

"That is only an impression," replied the social worker. "What I know I have learned largely from my young friend. I supplemented his information with some of my own; but with all that I know and with all that he knows, we know a great deal *less* than the city officials knew when they spent this money. You know that since the city became a composite of five separate communities, control of its finances has rested in the hands of a certain elective group. That board is responsible for every expenditure made by the city. Every member of that board is supposed to know for what purpose every dollar of the city's money is spent. He is supposed to know whether the price paid for a needed article is reasonable or excessive, or if the amount of a contract is warranted or unfair."

"Then if the expenditure of all this money was so closely guarded and if the board sits in open session on all things, how is it that the city's money could be so recklessly misspent and not an effort made to stop it," asked the merchant stubbornly.

"There were efforts made to stop some of the expenditures," replied the social worker. "Some of these efforts succeeded. But for every EFFORT made to stop a wasted dollar, a hundred dollars were WASTED without public knowledge. While the work of the board was supposed to be public, a large part of it was behind closed doors. It was in these secret meetings that extravagances were planned for private profit; and it was in public sittings, with the public eye *shut* that these compacts were brazenly carried out. *Impudence and deceit became the badge of bold political conduct.*

"It was through manipulations such as these that the public was deprived of most of its franchise property rights, and it was through manuevres of a similar nature that the public money was improperly voted and the city's future pledged. The franchises are worth millions of dollars and each year adds only to their value. *The income from half of them would alone defray the cost of city government, but of course they are now virtually out of the city's reach.*"

"But the newspapers were represented at these meetings of the city council, were they not?" persisted the merchant.

"They were; but the newspapers do not *always* do their duty, nor do

they always know what secret program is carried on. They are represented by men most of whom have their own petty interests to serve and who serve them at the expense of the general public. I regret to say that my own experience has shown that many of these newspaper representatives in places of public importance, *are weak in their public duty, and ethically unfit.*

"This brings us to the point that I want to permanently impress on your mind, and that is, that the public funds were *not* innocently misspent, but were recklessly wasted by responsible public officials. Sometimes the money was voted under false pretext and at other times silence was purchased. *Public betrayal was at all times the purpose intended.* We will return to this point at another time when my friend will make clear some acts of official infidelity and misconduct that have recently come under his observation."

The two citizens were now on the new street that cost \$6,000,000. They approached the crossing under the elevated structure where a group of persons had gathered around a tenement stoop. A young woman was ill and they were ministering to her care. The mother of the girl, a frail little woman, held her daughter's head in her lap.

"My child! My Fanny!" she sobbed. "Something to eat! Something to eat!"

The spectators brought food which was given to the girl, while the mother tried to make her comfortable. The two finally started off, the girl leaning on her mother's shoulder.

"These conditions are common in this quarter," explained the social worker as they followed the feeble pair. "The girl fainted for lack of food. I think it would be well to inquire into the condition of her family, so you will know first hand how the city takes care of its own people, especially the poor."

The two followed the pair to their home a few doors away. Ragged children ran to and fro under the elevated structure. One boy of eleven ran into a girl of four and threw her under the feet of the merchant. Another threw a stick that cracked a store window. But the play of the children was undisturbed, for their only playground was the street and the neighborhood recognized the social wants of the little ones.

The entrance to the house in which the sick girl lived was blocked by a heap of furniture piled on the sidewalk. The furniture was surrounded by a group of women, one of whom held a tin cup in her hand. She was soliciting alms from sympathetic strangers. Contributions were mostly in pennies. The social worker dropped a piece of shining silver into the cup and learned from the woman the cause of the girl's misfortune. He also learned the pathetic story of the family that had been evicted.

The girl was out of employment for weeks. She worked on women's apparel and there was a disturbance in the trade that closed the shops. The workers demanded more pay. Their demands were refused. Their years of toil they protested, had brought them only greater hardships and the cost of

living had advanced beyond their means. The strikers were aided by a group of women advanced in political thought, but their aid was ineffectual. The bosses spurned their efforts at intervention. The young woman had reached the limit of her endurance from hunger and exhaustion, when she collapsed.

"I have never seen this side of the industrial struggle," said the merchant feelingly, "and I hope I never have to see it again. I am almost sorry I saw it now. I never believed that starvation could actually overtake the workers engaged in an industrial quarrel. I always felt that the picture of suffering was largely overdrawn in order to win aid and sympathy for the strikers."

The merchant followed the young woman into the tenement, while the social worker gathered the story of the evicted family from the almshaker. There were father, mother and four children, the oldest a boy of thirteen. The father had deserted his family and the boy was an inmate in the city's institution for juvenile delinquents. He was arrested as a pickpocket, in the company of boys who were known to ply that trade and was sentenced to a term in the reformatory.

"My boy is honest," the mother pleaded to the judge. She explained that his support was needed to help the family. "He peddles candy in the park and vegetables in the street," she added.

"But he will become a burglar and a thief if he doesn't stay away from the gang," the magistrate replied and the lad was sent away. The city was paying 25 cents a day for his maintenance and care and the boy's mother was left to struggle with her brood. The family's savings were gone, their credit exhausted, and struggle as she might, there was no way of meeting the needs of her little ones. Organized charity was penurious in its aid to families whose natural breadwinners were *alive*.

"Now that you have learned the misfortune of at least two families in this vicinity, I want to call your attention to a piece of extravagance out of all harmony with the prospect that this section affords," resumed the social worker when he was joined by his companion. "The city laid out the middle of this \$6,000,000 street as a parkway, with a path between the grass plots. It was expected that the parkway would afford a breathing and resting spot for the tired poor in the vicinity. The parkway was welcomed by the people. But what has happened?

"The grass plots were surrounded with lofty iron fences, handsomely wrought and of exquisite workmanship, and the people are cut off from a seat in the park! The walks between the grass plots are too narrow for benches or to permit even a handful of persons to pass through at the same time. And they taxed the property owners \$35,000 for this fence to *keep the poor off their own grass!*"

"I can scarcely credit such stupidity!" exclaimed the merchant angrily. "If they wanted to provide a \$35,000 contract why didn't they do it in some other way? Such folly only adds further injury to the misfortunes of those upon whom so many wrongs have already been inflicted."

The merchant and his companion came to a small park a few blocks from the new street, the ground for which had been acquired through condemnation for more than \$1,000,000. The city paid exorbitantly for parcels held by politicians and their undisclosed agents. One side of the park was a market place and on the other was a tall school house of modern design and equipment. The children poured from the entrance of the school and thronged the market place, crowding the merchants and their customers almost out of the street. School was over for the day.

"This sight reminds me of the bible," observed the merchant, surveying the caravan of carts and the herd of frolicing little ones. "There, poverty is blessed. I wish it were in that happy state here, for the bible would then be my text in this as in other things."

A person of official bearing passed in front of the merchant and approached a slim, blackbearded peddler at his cart. The latter shrank in fear. The official flourished a soiled bit of paper threateningly.

"Why'd you make this complaint?" he demanded gruffly.

The peddler was too frightened to reply.

"I—I no make complaint," he sputtered. "I—I tell my frent."

"Who's your friend? What'd yer tell him?" the official demanded.

The peddler was mute with terror. He shrank from his tormentor who ordered his cart seized and himself placed under arrest. The cart was lifted into a truck, half the goods dumped into the street and the peddler was dragged off with the aid of a policeman. A few days later the peddler returned to the market place, without a word of complaint or criticism. He borrowed a few dollars to redeem his cart from the encumbrance yard and to purchase a new stock of wares.

"What terrible injustice!" exclaimed the merchant when he saw the peddler dragged off. "I never dreamed such cruelty could be inflicted on so helpless a people in a free country."

"I'm glad you witnessed this scene," responded the social worker. "The hardship of the peddler's life is a blot on the humanity of this great city. There are ten thousand of these poor fellows ekeing out a bare existence for their families. Sometimes the women and children aid them. Yet even these were the prey of petty politicians who parcelled out market privileges for their own profit.

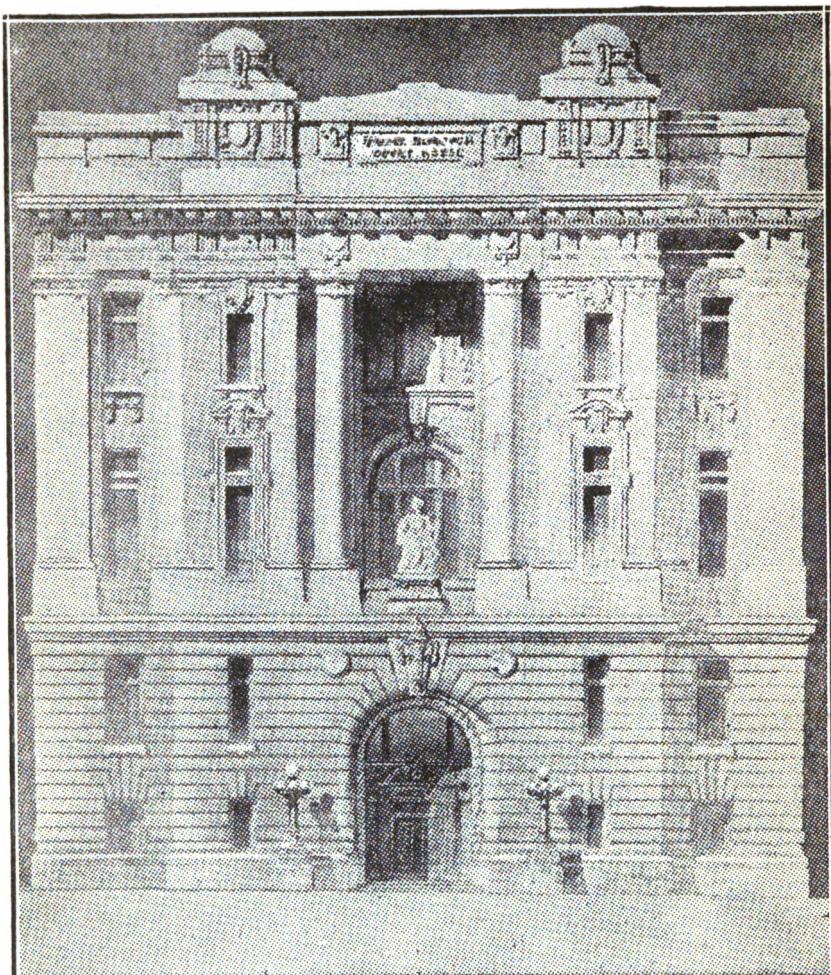
"I was down in the financial district a few days ago, and what I saw there made me hate this government. I saw policemen on sleek and well fed horses, riding down peddlers like wild animals. In sight of all those millions piled up daily in the money mart, life was made a torment and a burden to those who had the temerity and the misfortune to traffic only in pennies."

The two men strolled from the market place. It was now growing dark.

"I think I have seen enough of human wretchedness in one day to satisfy me for all time," sighed the merchant as they left the scene. "These sights would haunt me forever if I followed them closer. WE HAVE

REACHED THAT STAGE IN HUMAN EXISTENCE, WHERE THE GREED FOR PERSONAL GAIN HAS CRUSHED OUT EVERY OTHER INSTINCT. I PLACE MY FAITH IN THE MITIGATION OF HUMAN HARDSHIP, IN THE BRIGHT FACES OF THOSE LITTLE ONES WE SAW COMING OUT OF THE SCHOOL HOUSE. I HOPE THE FUTURE WILL BRING FORTH A RACE OF BETTER MEN, WHO WILL FEEL FOR THEIR FELLOW BEINGS AS THEY DO FOR THEMSELVES."

## THE TWO MILLION DOLLAR COURT HOUSE



which resembles a fortress without a cannon. "The corruption of the city seems to be ironically expressed in the cost of its judicial temples."

## CHAPTER IV

### VIEWING THE GRAFT WITH THE REPORTER

The following day the merchant was visited at his office by the young reporter referred to by the social worker. The reporter had closely followed the trail of official wrong doing in the city in recent years, and he was ready to lay the facts before citizens interested in a proper redemption of the city.

"I just had an experience that taught me more about one phase of public affairs than I ever expected to learn in so short a time," remarked the merchant to his new friend. "I have not yet decided in what spirit to accept this new information. I was on my way downtown last night, along the west side, when I walked into what seemed to be a riot of no small proportion. The police were engaged in a violent struggle with some young rowdies who resisted arrest.

"I followed the crowd to the station house and learned from the chief of the raiding squad, a swagger young fellow, that the prisoners had terrorized the neighborhood and that one of them had shot an unoffending citizen a few days previous. The raiders had been ordered to break up the gang.

"When I reached the station house, some of the crowd tried to rescue the prisoners, but were repulsed and beaten back. One of the prisoners, a mere boy, was badly injured in the mixup. His face and head were cut and his clothes torn. The mother of the prisoner was in the rescuing party, and she too, was roughly handled.

"I don't know what happened after that, but I couldn't help feeling as I went home, that the police had done their duty and that they were at last aroused to the gang peril of the city. I showed my appreciation of the work of the raiders by writing a letter to the head of the police force commanding their courage and recommending their advancement. The commissioner received my letter, for I just came from his office."

"I suppose he congratulated you on your civic spirit and on your interest in the work of his department?" suggested the reporter.

"He did. But I went there not to accept his congratulations, but for an entirely different purpose," resumed the merchant. "I went there to protest against the conduct of his chief raider this morning."

"What; didn't you approve of his courage last night?"

"I did, but I strongly disapproved of his brutality this morning," responded the merchant warmly. "And I intend to express my disapproval in a more emphatic manner. I followed the prisoners into court this morning to see how far the magistrate would uphold the work of the police last night. I found that he sustained them nobly. He accepted every charge made against the prisoners, even one of assault and *attempted murder* against the

boy who had been so roughly handled. The lad was charged with shooting the unoffending citizen and with assaulting the chief raider, and was held without bail, for trial.

"The boy's mother pleaded for him, and when her plea failed to move the judge, she waited outside for the chief raider who was the boy's only accuser. The woman begged him to withdraw the charge. She protested that the boy was innocent, that he was in no way responsible for the shooting, and that the police had arrested him wrongly.

"My boy was at work downtown when the shooting occurred," she explained. "He's a good boy and stays home nights with me. He went out last night for a little air only a few minutes before he was arrested."

"That's enough gab, you old witch," retorted the officer, as he shoved the woman aside. "Go home and shut up."

"The woman continued her pleading, and when she persisted that the boy was innocent, the officer struck her in the face and knocked her down.

"Shame!" I cried. I started to raise the woman, and in return for my interference received a blow on the head. I was too dazed to reply, and when I recovered I found myself a prisoner in the hands of the chief officer and his men. I had interfered with an officer in the discharge of his duty, I was told, and was to be punished. I was dragged back into the courtroom, and on the testimony of the officer and his men I was fined by the magistrate. I never dreamed that such an outrage could be committed on an intelligent and law-abiding citizen in a free and civilized community.

"I took pains to investigate the woman's story after my release from court, and I found that what she said was true. The rowdies who did the shooting are members of a gang who indulge in midday target practice in an open lot where the rioting took place. One of the gang spied a citizen standing at an open window in his factory across the street, and in a moment of heedless deviltry, aimed his revolver at him. The bullet hit the mark, and the victim came within an ace of losing his life. He spent several days in a hospital, where the bullet was extracted within an inch of the heart. The rowdies have not been interfered with nor is their perilous practice stopped. They are on intimate terms with the politicians in the district, and their services are needed on election day."

"Have you learned the identity of the chief raider?" asked the reporter.

"I have. I learned that he is the confidential 'business' agent of one of the ranking officials in the department, and that he was selected for the special task of gang routing in order that he might win personal recognition from the mayor. That recognition has already been bestowed, for the chief raider and his squad were promoted this morning on the strength of newspaper articles and on the department's own report. My own recommendation was used to aid their advancement."

"That's where you are the victim of your own good citizenship," commented the reporter, lightly. "I suppose, however, that the commissioner accepted your complaint and will punish the offender for his conduct."

"That's the point that bothers me now," responded the merchant. "Not only was my complaint rejected, but my own letter was thrust into my face as commanding the conduct of my own assailant."

The reporter gave a hearty laugh as he and the merchant left the latter's office and proceeded up the west side of the city to the Drive which stretches along the waterfront.

"This Drive was extended three miles at the upper end," explained the reporter, "and the 'improvement' cost the people \$6,000,000. This money was expended by an official who was afterward removed from office. So obstinate was he when his removal was ordered by the city's chief executive on the ground of malfeasance, that he had himself reinstated in his position by the local municipal assembly, controlled by the political boss. It was an act of effrontery that staggered the entire city, but the power of politics prevailed and public protest was unavailing. The Governor of the State finally dismissed the impudent official after a hearing, and further reinstatement was prohibited.

"The extravagant cost of this improvement," continued the reporter, "is accounted for in various ways. Besides paying excessive sums for building the gigantic foundation walls, the city paid *twice* for the same dirt dumped in between the walls as a bottom for the roadway. There were several hundred thousand cubic yards of dirt required and the same contractor was paid about 40 cents a cubic yard for *removing* the dirt from the street through which the underground railroad runs, which he was excavating at the time. He was paid another generous sum for *dumping* the dirt into the Driveway. Besides this double payment he received fifty cents a load from private contractors for the privilege of *dumping* their dirt in the unfinished Driveway.

"How amazing!" exclaimed the merchant. "Such profligacy would bankrupt any city. Did the public know of this double payment?"

"I hardly think so, else there might have been some protest."

"Did the newspapers or the city officials know?" pursued the merchant.

"Some of them *did*," responded the reporter.

The two men walked on until they reached a point in the improvement where the Driveway turns.

"Here the city paid large profits to private landowners for the widening of the roadway," resumed the reporter. "It acquired a strip of property that belonged to a charitable institution and it paid the institution such a generous sum that the lawyer who negotiated the sale obtained a fee of \$25,000. The total award was less than ten times that sum. The lawyer has made millions out of the city through similar land condemnations, of which I will tell you more at another time. The city also paid large sums to real estate speculators and politicians for property a little further up, of which no use has since been made. One of these speculators was a *financial backer of the successful presidential candidate* in the recent election. His associates in these transactions stood high in the councils of the dominant political party. The property lies in the same rough and undeveloped condition that it was when the city bought it for *more than twice* what it was worth.

"Right here under this bluff," continued the reporter, "the city enabled a group of politicians to make large profits by the filling in of city land. It made a free gift of the dumping privilege to dummies for the politicians and enabled them to collect from 35 to 50 cents a cubic yard for all the dirt and ashes dumped over the bluff. It was the only place available for miles

around for dumping purposes, and contractors paid handsomely for the privilege of using the dump. There was a building boom in the vicinity and contractors were anxious to dispose of their cellar excavations with the easiest facility."

The two men continued their stroll northward and came to a point where the formation of rock strata under the surface was being tested by borings. The purpose of the tests was to find a suitable ledge for bridge foundation. The city was actually planning the construction of a bridge across the river, at a point where the river is two miles wide. Such a structure would cost at least \$30,000,000 and would prove of *no adequate commercial benefit*.

"But it would enable the railroads that now have their termini on the other side of the river to bring their trains into the city," suggested the merchant. "That would reduce the cost of food and other products and result in a saving by the people."

"That reminds me," continued the reporter, "that some twenty years ago a bridge was projected across the river by the railroads on the other side. The railroads were willing to build the structure at their *own* expense. They petitioned the legislature of this state for a franchise and they also petitioned the political boss of this city for his influence. The petition of the railroads on the other side was met by the opposition of the railroads in this state. The 'size' of the argument against the project was *insufficient* to satisfy the cupidity of the political 'boss,' and the project was successful. A franchise was granted by the legislature and only recently an attempt was made to revive it, the local city government and the national authorities being importuned to extend the life of the franchise ten years. The city has actually spent half a million dollars in preliminary plannings for a bridge to be erected at its *own cost*."

The two men now reached the extreme end of the city where, in order to continue their journey, they crossed a new steel bridge into the adjacent territory. The bridge was constructed to carry the underground railroad over the channel. Before the railroad was built, the channel at that point was spanned by a wooden structure that permitted only of pedestrian and vehicular traffic. The old bridge was shifted a mile down the river and its entrance on one side is in the centre of a tract of land owned by a prominent politician. The value of his property has been greatly enhanced by the change in the location of the bridge and by the construction of the underground railroad.

"Before we leave this vicinity," continued the reporter, "I want to show you a 'job' that cost the city a fortune. That beautiful driveway that you see stretching along the river is maintained for the exclusive use of fast horses. Its construction cost the city several million dollars and it has been used but little in recent years. Yet each year since it was accepted as *finished* from the contractor, the city has spent thousands of dollars to keep it from sliding into the river. Half a million dollars was appropriated recently for this purpose and as fast as the money is spent more is needed.

"The construction of this driveway made several persons rich, for the city paid several million dollars for land surrounding and overlooking the driveway. The land was purchased mainly from politicians and their financial friends, who themselves acquired the property only a short while before. They received fabulous sums for their holdings. The coterie also

made large profits out of the construction of the driveway, for they provided the material in conjunction with the contractor, out of which the road was built. There may be some satisfaction in the fact that one of the men who profited so largely at the city's expense in this transaction, is a victim of self-destruction. Another served a term in a federal jail, a third stands before the bar convicted of professional misconduct, a fourth is self-expatriated, while a fifth is also a stranger to his own country."

The two men crossed the river where the chief elective officer was recently deposed after an investigation of his official conduct. He had been the reigning monarch in that province for more than a decade, and his power was well nigh insuperable. Like his associate in corresponding office in another part of the city, he tried to retain his office after removal. He was of the same political caste as his fellow patriot, and succeeded in hanging to his position until near the close of his elected term.

It was found that this official was serving his own ends by the wanton expenditure of the public funds; that he wasted \$2,000,000 in salaries to political followers; and that he spent thousands of dollars in the construction of roads and highways in remote regions for the benefit of property owned by his friends. He was found guilty of awarding contracts without fair competitive bidding, and in one case it was found that he remitted the fine of \$70,000 imposed on one contractor, who had contributed \$1,000 to his election campaign fund.

It was found that contracts in this district were improperly performed and that the records of payments were consistently falsified. It was found that streets were opened at the expense of the taxpayers, where they would benefit property owned by personal friends without regard to the needs of the community, and it was also learned that the offending official had knowledge of the fact that a subordinate in his service was compelled to pay over part of his salary to another official in order to secure merited advancement.

All these facts were revealed under oath and their authenticity therefore cannot be doubted.

The two citizens had now reached a point at the extreme east of the district, where the reporter pointed out a site that was acquired by the city during the incumbency of the deposed official.

"This site," explained the reporter, "is at the mouth of a great trunk sewer. It was purchased by the city for a public park and bathing beach. It is needless to say, that it has never been used for either purpose, first, because it is unfit for bathing, and, second, because it is inaccessible to the public. The city paid a quarter of a million dollars for the site, which was fifty-three times its assessed value, on which taxes were paid. The property was transferred a few weeks before the city acquired it, for one-third the price the city paid, the purchaser being the lawyer who represented the owners. He acquired the property through dummies after negotiations with the city, on behalf of his client, were begun. He is the same lawyer who received a fee of \$25,000 for disposing of property along the Drive to the city for the widening of that roadway. His profits on this transaction were \$170,000, but the price of his duplicity has been disbarment from legal practice in the future."

"What an amazing affair this is!" gasped the merchant. "How could the city withstand insolvency when its funds were so flagrantly wasted."

"There has been a great deal of other waste in this section of the city," resumed the reporter, "but it is hardly necessary to go into further detail now. You have seen and learned enough of what has been going on in this community for many years. Hundreds of thousands of dollars were squandered for wrong map-making (laying out of new streets), for the purchase of supplies at extravagant figures, and for a thousand and one details that the city could have gotten along without. But there is one monument to the over-towering greatness of this borough's former chief which will live forever in the memory of its citizens.

"It is the great courthouse that has been built at a cost of \$2,000,000, and the end is not in sight. The corruption of the city seems to be ironically expressed in the cost of its judicial temples. Here, as in the lower part of the city, is a court house that is an eyesore because of the lavishness of its cost and the uselessness of its construction. *And it took a dozen years to finish each structure.*"

The two men had now reached the spot where the court house stands, and faced a structure which was in its tenth year of building and resembled a *fortress without a cannon*.

"The architect for this monumental work was a politician of local renown," explained the reporter. "His sole qualification for the position was that he was a member of the executive's political cabinet and that he held political mastery over a small section of the community. His selection as architect, in spite of his *conspicuous unfitness* for the office, was one of the reasons why the executive was subsequently removed from office. Needless to say, the plans for this building originated elsewhere than in the politician's head. They were supplied by a young draughtsman who afterward sued for his fees and obtained a verdict for a large amount. Nevertheless, the politician profited handsomely from his appointment, his fees alone exceeding \$60,000.

"The details of the construction of the building furnish a scandalous chapter in the history of this community. The sight of the building, when the truth about its jobbery became known, stirred a burning indignation in the people, who saw it in their daily travels up and down the city. It was the monument that caused the defeat of its sponsor when he ran for reelection to office. It was the only way the people had of resenting his political impudence and of rebuking his self-conceit.

"I might add that the preliminary estimate of the cost of the structure finished and ready for use was \$800,000, which in itself is an exorbitant sum. When the \$800,000 was exhausted a request was made for \$325,000 more, and this was granted. A second request for more money followed the first. The furnishings for the building will undoubtedly exceed a quarter of a million dollars, and there will probably be a continuation of expense running over a period of years just as in the case of the Record building in the lower part of the city. The total cost of the building furnished and ready for use will exceed \$2,000,000, and its uselessness will forever be a public aggravation."

**"I WISH THE CITY HAD SOME WAY OF ELECTING HONEST MEN TO PUBLIC OFFICE WITHOUT REGARD TO POLITICS," SIGHED THE MERCHANT, AS THEY WALKED AWAY FROM THE COURT HOUSE. "THERE WOULD THEN BE NO SWAN SONG OF CORRUPTION OR CIVIC MISRULE AFTER EACH ADMINISTRATION, NOR WOULD THERE BE THE STORY OF A BANKRUPT CITY TO TELL. CIVIC RIGHTEOUSNESS IS WHOLLY IMPOSSIBLE UNDER PRESENT POLITICAL CONDITIONS."**

THE CITY'S MILLIONS POURED OUT FOR PROFITLESS BRIDGES



TWENTY-TWO MILLION DOLLARS for a bridge, the cost of which was originally estimated at \$14,000,000. The NET income from ALL the bridges was less than their laboring cost of maintenance, not counting about \$3,000,000 a year interest on bonds issued for their construction.

## CHAPTER V

### WASTE IN BRIDGES AND STREET CLEANING

A few nights later a group of citizens gathered at the home of the merchant to hear the reporter's story of the city's wrongs. One of them was a leader in the dry goods trade who was active in previous movements for civic betterment; another was a well-known lawyer, prominent in public affairs. A third was an energetic business man who had had instructive experience in one branch of the city government. Each had some understanding of the city's mismanagement and was waiting only for amplification from the reporter.

There were others in the group whose knowledge of public affairs was even more extensive. There was the active head of an influential civic organization and the director of a non-partisan political coterie. There was also the representative of a powerful real estate association, whose aim was to safeguard the interests of the taxpayers. These men, with others, were ready to lead the city out of the maze of its financial bewilderment.

The reporter reviewed the situation as he found it in various city departments. He told the story of the bridges and of the great financial wrong they involved. The bridges cost \$100,000,000 and the *net* return to the city was not one cent. On the other hand, they involved an outlay of \$3,000,000 annually for interest on bonds. The bridges were designed for use mainly by the railroads, to whom they were leased at only nominal rental. The income from the four structures was less than the cost of maintenance; and while the city was struggling to maintain its credit by the payment of interest on bridge bonds and other public debt, the railroads were increasing dividends on inflated capital and spending millions for improvements out of the *profits* of bridge operation.

The city had offered the railroad free use of a new \$14,000,000 underground roadway connecting three of the bridges, which was designed to divert traffic from one of the structures to suit the public convenience. The offer was rejected on the ground that the use of the subway meant no *additional* profit to the railroad, and that, therefore, the company found no advantage in assuming the burden of interest on the construction cost. The city had planned for the convenience of the traveling public as well as for advantage to the railroad. The subway was neglected for years, and the city's credit and interest for the \$14,000,000 investment was wasted.

Three of the bridges were constructed in a period of ten years, at a cost of \$75,000,000. The cost of at least one of them might have been saved. Traffic on two of the new bridges was so meagre that the income tolls were *less than* the laboring cost of maintenance, not even counting the cost of supervisory engineering.

The reporter analyzed the cost of construction as well as the expenditures for land for bridge approaches. These lands were purchased through commissioners of appraisal, appointed by the courts, at the direction of the dominant politicians. The reporter took as illustration of the prices paid for some of these parcels, the report of one set of commissioners recently made public. Land for one of the approaches to a new bridge was acquired in an outlying borough across the river. The commissioners awarded \$15,000 for property liberally appraised at \$5,000, and \$22,000 for a parcel acquired at \$2,000 a short time before the city took title. He cited other payments that were plainly in excess of the real value of land acquired by the city, and pointed the conclusion that of \$50,000,000 spent in ten years for land for a bridge approach *half that sum was misspent.*

An interesting side light was thrown on the true inwardness of conditions surrounding these purchases through the accidental falling out of a well-known politician and his son, some years before. The father, who was once a prominent public official, was caught in a raid on a gambling house by the police, after his term of office expired.

"I was looking for a wayward son," offered the former official in explanation of his presence in the establishment.

"He wasn't looking for me," retorted the son. "He's a regular patron of the place."

The clash led to further disclosures and the young man let it become known that his father was the principal factor in the firm in which he himself was a member. The father was the political leader in the district in which the city was then acquiring land for bridge approach.

"We represent ninety per cent. of the property owners in this proceeding," the young man revealed, "and we're making large fees. But my father derives the bulk of the profits and we're only his agents."

The firm's fees aggregated half a million dollars. The city paid dearly for the land it bought, and among those who profited by the transactions was a horde of cunning politicians who reaped over one hundred per cent. The appraisals on which payments were based were made by men selected by the politicians. One of these is now a Supreme Court judge at a salary of \$17,500 a year.

"The story of this proceeding is the story of every other proceeding for bridge property," continued the reporter. "In this case, as in others, some of the politicians made double profits by collecting rents from their own and other buildings, after the city took title. These buildings were left standing by the city authorities, even delaying bridge construction, while rents were collected by other than city agents. The story of one of these incidents is amusing.

"The city awarded a contract for the construction of foundation piers for this bridge to a group of political contractors. A company was originated by two state senators, for the purpose of taking over the contract amounting to \$800,000. The capital of the company was \$7,500, supplied by a lawyer, now a Supreme Court judge, acting for one of the politicians of the firm. The company was on the point of dissolution for want of capital, when a happy thought struck the practical member.

"Why not take the money from the city?" he reflected. "That's the way to begin."

No sooner suggested than done. The firm claimed ownership of the city's condemned houses, scooped in \$100,000 in rents, and started work on the contract then long delayed. The company made a handsome profit."

"The contractors must be well satisfied with their bargain," commented the elderly merchant. "Our profits in the trade are not quite so easy. In this case, of course, it paid to be a politician."

"Yes, they are so thoroughly satisfied, that they are suing the city for \$400,000 damages under the contract for work that was never performed," explained the reporter. "A succeeding commissioner revoked part of the contract by eliminating the construction of passenger and freight elevators from the roadway of the bridge to the island underneath where public hospitals and correctional institutions are located. These elevators would have saved the city a great deal of money. They would have done away with the cumbersome ferry and steamboat service between the island and the rest of the city, and would have saved the exposure of sick patients transferred to the island, in storm and inclement weather. They would also have provided easy access for visitors who crowd the institutions monthly. I might add that the contractor was paid \$55 a cubic yard for setting masonry that was set for \$13, and there were many hundred yards paid for at the higher figure."

The reporter took up the waste on bridge construction, and told of the excessive cost of steel for the bridge spans. In one instance, the *estimated cost* was four and a half million dollars. The total *payments* exceeded \$6,000,000. The steel was supplied by a subsidiary of the steel trust, which also provided the material for one of the other bridges. The company expected to obtain the contract for the newest bridge, but was disappointed in the result. The contract was awarded to two well-known contractors, who intended to purchase the steel from the disappointed manufacturing bidder. The latter refused to make the sale, but, no sooner was this difficulty overcome by the indirect purchase of the steel through an intermediary company, than another and more vexatious difficulty arose.

The bonding companies with whom the contractors were on friendliest terms up to this time, suddenly agreed that they were unable to provide the necessary surety of \$2,000,000. It was at this stage of the proceeding that a voice whispered temptingly into the ear of one of the contractors.

"Let me place your bond and you'll be all right," it urged confidently.

"How much?" rejoined the contractor.

"Only \$200,000 and *half* the profits," it replied. "It ought to be twice that much. (Pause.) You know you'll go broke if you don't take it."

"And I'll go broke if I do," retorted the contractor. "I'd rather go broke my way than yours."

Behind the voice loomed the figure of a noted politician. A few days later the contractor sought the city's chief financial officer and laid the situation before him. The penalty for delay under the contract was \$1,000 a day.

"I won't give up a cent graft, and I'll break the whole gang if I lose this job," he stormed.

**The bonding monopoly was threatened.** The contractor was aroused. A few days later the situation was adjusted. The contractor and the city's chief financial officer locked themselves in a room in one of the city's offices, and when the business was concluded, the bonds were executed and the plot foiled. The contractor pledged real estate to the amount of \$2,000,000, located in the city and saved the cost of a surety bond. Pending the proceedings, the politician's agents stormed the door demanding admittance. So violent was their conduct that they even threatened to force an entrance to prevent the acceptance of the bond. The financial officer was himself denounced, such was the audacity of the political group which claimed exclusive control of the bonding privileges on large city contracts. The bonding of city employees and small contractors was monopolized by other and smaller politicians.

"This is a practical illustration of the bonding graft," explained the lawyer of the group. "I have seen its operation before. The situation is even worse with regard to contractors in the new watershed, where a share of the contractors' profits as well as bonding commissions are also exacted by the politicians. Another instance of an attempted bonding hold-up was furnished recently when a contractor was refused a bond of \$400,000 on a large city contract, and was compelled to provide real estate security."

"This partly explains why reputable business men refuse to do business with the city," interrupted the energetic merchant who had not yet spoken. "I had an experience that cured me of all ambition in this direction. I was the lowest bidder for furnishing material for street cleaning several years ago, and to my surprise my bid was rejected. My nearest competitor was several thousand dollars above me. The contract was readvertised. A second time I was lowest, and again my bid was thrown out. The third time, one of my competitors bid under me and was awarded the contract. I afterward learned that the successful bidder owned the patent on the article prescribed in the contract and that nowhere else except from him or his agents could the article be purchased. His profits would have been certain even had I been awarded the contract. Under his first and second bid, his profit exceeded one hundred per cent."

The reporter completed the story of the bridges by telling of the lavish fees paid to consulting engineers and architects on bridge work, the total of which exceeded \$2,000,000, and then took up the narrative of the Street Cleaning Department. Most of the two million dollars was wasted, since the actual engineering work and draughting was done by the city's own salaried employees. An instance of how the city's interest is served by its own engineers was shown recently when it was disclosed that an engineer in the city's employ received \$40,000 from a bridge contractor whom he helped to "win" a contract and whom he served as "expert" while city engineer at a salary of \$7,500 a year. It might also be mentioned that the original estimate of the city's engineers on the cost of one of the city's newest bridges was \$14,000,000, while the actual cost exceeded \$22,000,000.

The largest item of waste in the Street Cleaning Department was the removal of snow in winter, the cost of which averaged \$1,000,000 a year. In one season the city paid \$2,000,000. This was for a fall of fifty inches, or

at the rate of \$40,000 an inch. A few winters later, under a hypocritical "Reform" mayor, the city paid \$1,250,000 for the removal of twenty-two inches of snow, approximately \$60,000 an inch,—proving that instead of economy, there was nothing but the rankest waste if not the grossest fraud in the execution of the task.

Forty thousand dollars an inch was the high-water mark for snow removal up to that time. Sixty thousand dollars an inch is the new record performed in the face of the most insistent demands for public economy and in the teeth of the highest tax rate known to the city. And the head of the department responsible for this astonishing extravagance was hailed a hero in public print because he WITNESSED the shooting of the city's chief executive a few years previous.

The grossest frauds were shown when the city paid \$40,000 an inch for snow removal to a contractor affiliated with the local political boss. It was shown that he was paid for the removal of *four* times more snow than could physically have been carted away by the men and carts admitted to have been employed. It was also shown, from official reports, that tons of snow were dumped into sewers, for which the full price of removal was paid. This practice not only constituted a fraud on the city, but it resulted in costly damage suits by private property owners, which the city had to settle.

The city paid for the removal of snow on the basis of all that fell, less a certain percentage deducted for shrinkage. This reduction was purely arbitrary, and it left the way open for the payment of fabulous sums to favored political contractors. It also made possible the ruin of a snow contractor who happened to fall into political disfavor. More than \$10,000,000 has been spent for snow removal in less than a dozen years, half of which was either stolen or wasted, and practically all of it was paid to favored politicians and their business associates.

"I have often marvelled at the city's simplicity in continuing the primitive plan of snow removal and in renewing the services of the snow contractor each year," commented the lawyer sagely. "But, strange as it may seem, not only are his services renewed, but so friendly are his relations with the city authorities that he and his relatives now hold \$40,000,000 of city contracts. The margin of profits on these contracts is at least ten per cent., or about \$4,000,000."

The reporter reviewed the story of the contract for the removal of ashes and rubbish from one part of the city and told of the enormous profits made therefrom by a group of influential citizens and politicians. The ashes were carted away by railroad to another part of the city and dumped into marsh lands owned by the politicians. These lands were increased many times in value as a result of the filling in, and the city paid \$300,000 a year to have the ashes removed. The politicians made twice that sum out of the increase in land values each year.

Among those interested in this contract was the head of a powerful political organization; another was a former public official. There were others identified with the railroad and with a contracting company for which the former city official was counsel. This contract, like the preceding one, was a fraud on the city since it was awarded after collusive competition. The

contract was lobbied through the city's financial board at the end of the preceding administration, by the business partner of a leading politician and the former himself made thousands of dollars profit through the sale of horses to the city.

Another contract which interested the conference and of which note was made, was that of garbage removal from the city streets. The city paid half a million dollars a year for this service and the company that holds the privilege makes at least as much more each year out of the by-products of the garbage. This company has had the contract for more than a dozen years, and the only time when the price was reduced to anything like normal figure was one year when genuine competition developed. The city saved \$100,000 that year. Since that time the city has paid monopoly prices.

In most large cities where the quantity of garbage is less than here, and where its value for commercial purposes is not so great, garbage is removed from the city free of cost. Contractors are anxious to obtain the refuse for the value of its by-products, and in some cities they even pay for the privilege of collecting it. Such is the result of competition in a city where politics has no sway. More than half a dozen useful chemicals are made out of the garbage, the most useful being ammonia and fertilizing material.

Another item of large cost and great expense to the city is the purchase of horses for street cleaning purposes. The city was paying the highest price for horses at the time of its insolvency, and for fifteen years it placed itself in the voluntary grip of an avaricious horse monopoly. The price per horse for street cleaning use was \$350, an increase of one hundred per cent. in ten years. The department spent \$100,000 a year for horses, and the chief of the firm from which the horses were purchased testified under oath that he would supply the same horses to the city for *twenty-five per cent. less* if the horses were purchased in smaller quantities.

There was a ring within a ring in this horse combination, and a double profit was made out of the city on these horses, which were sold at public auction a short time after the city acquired them. In some instances the city used the animals less than ninety days before they were disposed of as "unfit" to those in the lesser horse coterie, and sometimes *relet to the city* at the price of good, healthy animals. In fact the horses sold as "unfit," for a fraction of their cost, were engaged in the same service of street cleaning in a neighboring city, just prior to the city's collapse!

The reporter then told of the waste in the purchase of forage for the horses and in the hire of scows and tugs for the removal of rubbish and ashes to sea. He also told of the loss of thousands of dollars annually through the leasing of the "picking and trimming" privileges to favored contractors. This privilege yielded \$2,000 a week to the city under competition when the harvest of profit plucked from the rubbish was *less* than in recent years. The city received less than *one-half* that sum for the privilege when it became *twice* as profitable.

The waste in forage and other supplies was shown to be enormous and it was also officially proven that the quality of forage provided for the horses was far under the grade for which the city paid. There were other large

items of waste in this department, such as the payment of extravagant rentals for stores and stables in various parts of the city for departmental use, and in the purchase of quantities of lumber and other material. These "wastes" were a source of profit to favored politicians; one of them derived more than half a million dollars for the rental of one stable in less than a dozen years.

There were wastes in other items that cost the taxpayers of the city dearly for the gratification of individuals with political influence and prehensile commercial instinct. The city paid fancy prices for "water sweepers" accepted by the commissioner, who demanded \$100,000 for their purchase. The "sweepers" were condemned as impracticable after they were in use a short time, and the new-fangled contrivance that discharged tons of water against the city pavement under compressed air compulsion, was relegated to the junk heap. It took five minutes to fill these compressed air water tanks, and but three minutes to discharge the water against the city's pavement. In spite of this fact, however, \$50,000 more was requested for "water sweepers" before the city's failure.

SUCH WAS THE STORY OF THE MISMANAGEMENT OF THESE DEPARTMENTS, THE INEFFICIENCY OF WHICH WAS TYPICAL OF OTHER BRANCHES OF THE CITY GOVERNMENT. THE LOSS TO THE TAXPAYERS, CONSERVATIVELY ESTIMATED, WAS AT LEAST \$2,000,000 A YEAR, DIVERTED FROM THE CITY TREASURY TO THE POCKETS OF THOSE IN POLITICAL AND PUBLIC CONTROL. THE SAVINGS THAT MIGHT HAVE BEEN EFFECTED WERE NOT THOUGHT OF OR ATTEMPTED BY THOSE IN AUTHORITY, AND THE PUBLIC HASN'T YET AWAKENED TO THE MEANS BY WHICH THEIR MONEY WAS "SQUANDERED." THE PURPOSE OF THE WASTE IS APPARENT; ONLY THOSE WHO WERE IN POWER PROFITED.

## CHAPTER VI

### WATER WASTE AND EXTRAVAGANCE

Mismanagement and waste of public funds were by no means confined to the Bridge and Street Cleaning Departments reviewed in the previous chapter. While it may be reasonably asserted that of the \$100,000,000 spent in these departments during ten years prior to the city's collapse one quarter was stolen and wasted, the records of other departments show a percentage of loss equally as large.

The Water Department yielded princely revenues to favored individuals and private corporations. Contracts and jobs were always at their disposal and the department was always the haven of the politician and his henchmen. The management of the department, which was a grave responsibility, was usually accepted as a political cinch. It was because of this superficial aspect of the importance of the position that the city's funds were flagrantly wasted and the lives of the people endangered. The gravity of the situation became alarmingly apparent when one of the city's reservoirs was emptied of its contents and a water famine threatened.

"The water was scientifically discharged," was the gratifying explanation of the head of the department when asked why the millions of gallons of water were deliberately released. "The water was let out to clear the reservoir."

At the same time, under the threat of "famine," contracts were hastened for the excavation of a water tunnel throughout the length of the city at a cost of \$25,000,000 and the proposition was advanced by the head of the department himself that the city purchase all *private* water plants in outlying districts. The plants were offered to the city at several times their real value. The offers aggregated \$20,000,000. *The profits of the plants were threatened by the extension of the city's own water mains from its new system constructed at a cost of \$200,000,000.*

The head of the water department also urged that the city enter into a contract for a new "temporary" water supply to forestall the threatened "famine" before the \$200,000,000 system was completed. His plan was to tap the watershed of an adjoining state at a contract cost of over \$1,000,000 for pipe line and at an expense of from five to ten million dollars for consequential damages to business and private property. The plan had been rejected by a previous administration because of its apparent wastefulness. The commissioner later "discovered," after his plan was generally disapproved, that the need for "temporary" water no longer existed.

The plan for the sale of the private water plants was long nurtured and was ready for execution when the cry of "famine" arose. But the city was shy of funds and the owners of the plants and the head of the department himself were compelled to wait for a more favorable opportunity. The owners were encouraged by the previous sale of two private water com-

nancies to the city. The price paid for them was \$2,000,000, and their purchase rested entirely with the head of the water department, who was the mayor's political crony; with the chairman of the finance committee of the municipal assembly, who was a notorious politician; and with the city's chief financial officer.

The two political office holders were more prosperous after the sale. The head of the water department himself became the owner of a one-third interest in another water plant drawing \$25,000 a year from the city on a contract *which he himself executed for the city when in office*. The contract stipulated the payment for five years of eighteen dollars a year for each fire hydrant erected by the city in the territory supplied from this company's mains, and no account is taken of the volume of water used by the city. The water for which the city pays is available *only* for fire purposes, and its use is slight.

Since the purchase of the two water plants mentioned, their cost of operation has doubled. The price of fuel and labor has gone up and easy berths were provided at the expense of the taxpayers, for political dependents who had no other jobs.

At the time of the city's collapse, it was paying a quarter of a million dollars a year to private water companies that were supplying water to the city in suburban areas. These companies enjoyed intimate relations with the water department. They were on such friendly terms that for many years one of them *filched the city's water and sold it through its own mains*. No attempt was made by the city to recover the value of the stolen water after discovery, and the head of the department who made the discovery was afterward shifted to another office. In another district, the city restricted the extension of its own system of wells in order that a private plant might sell more water; and in another area where the city made a contract for five million gallons of *pure* water a day, the private plant was unable to supply the contract requirement. Its water was reported as chemically *impure* by the city authorities, but, in spite of this fact, its claims were generously compromised and paid by the city.

Private water plants doing business with the city made many politicians rich. One attempt to sell one of these plants discloses the general scheme of such money-making. The charter for this company, which supplied water to an outlying part of one of the city's boroughs, was obtained from the state legislature through the instrumentality of local politicians. One of them was a state senator. This was many years before the city's collapse. The charter and the legislative act creating it were drawn with the aid of a cunning young lawyer who counselled the politicians.

Before the deal to sell the plant to the city could be consummated at an exorbitant figure, a rival and more masterful politician appeared on the scene. He obtained control of the water company, and offered it to the city at \$2,000,000. The dethroned politicians and their cunning legal adviser set about to hinder the sale. The obstructing lawyer assumed the role of a public benefactor and invoked the aid of the courts.

"The deal is infamous," he shouted, with virtuous indignation. "The plant is worthless and the city must not be robbed."

The public temper was aroused. The courage of the lawyer was applauded and the citizen he used as a basis for his legal action, to prevent the sale of the company to the city, was raised in public esteem. He was even offered the mayoralty of the city. The city afterward purchased the plant at large profit to the politicians, and the lawyer who originally prevented the sale urged prompt payment of the purchase price. *He was then a judge of the Supreme Court.*

At the time of the city's financial disaster it was paying \$5,000,000 *a year to private corporations for light, heat and power.* These corporations were all owned by one group of financial interests. The payments had increased steadily and were made on the endorsement of an official in the Water Department who was retained in office in spite of frequent protest and accusations of public betrayal. These private corporations wielded a tremendous influence in city affairs. They contributed largely to campaign funds and awarded patronage to politicians by providing them with private contracts and jobs for their followers.

*At the very time of the city's ruin the city was attempting, through the courts, to recover millions of dollars out of which it was charged the city had been defrauded by one of the subsidiaries of the lighting trust. It was charged, under oath, that for years the company had falsified its books to withhold payment of profits from the city as provided under its franchise. This franchise was the basis of the trust's monopoly, for it provided exclusive control of the city's conduits through which electric current was carried.*

The city purchased electric light and gas from these companies for many years, but received no return from the franchises, which were earning millions of dollars annually. It was not until a law was passed, taxing these franchises, that the city was partly compensated for its privileges, and then the companies withheld payments for many years. As an offset to the millions owed the city under the franchise law, the lighting companies presented bills as large as the franchise debts themselves. During all the years of the life of the franchises, dating back almost a century, the city and the people were assessed at from three to ten times the actual cost of the company's service for heat and illuminating current. The history of these franchises is steeped in the blackest crimes and will be told of more completely at another time. *Suffice it to say that the inferior quality of gas furnished at different periods resulted in the death of a great many persons from "accidental" asphyxiation, in the winter time.*

Under the supervision of the Water Department, the city spent \$10,000,000 for the installation of water mains for high pressure fire service. It purchased pipes for more than they were worth and, when the system in a small area was completed, the public was invited to witness the test from the new mains. The newspapers brought their cameras. The people were shown the power of streams discharged from these pipes, and while it was claimed that a pressure of nine hundred pounds to the square inch could be sustained by the mains, not more than half that pressure could be sustained by the rubber hose through which the water must necessarily be discharged! The excess pressure from the pipes was therefore useless.

It was also claimed that the installation of the high pressure service reduced the premium on fire insurance, *but no figures were presented to show*

*how the cost of high pressure maintenance had increased the burden of the taxpayers.* The insurance reduction was only nominal. The budget for the year preceding the city's collapse showed that \$150,000 was spent for the maintenance of the new system. This sum is interest on \$3,000,000 at five per cent. The newspapers were shown only the picturesque side of the new system, and in turn apprised their readers. They were also informed that the new system would be supplied with water *from the river*, and that billions of gallons of fresh water, for which the city paid at the rate of \$50 a million, would be SAVED. *Not a gallon of river water has been turned into the high-pressure pipes since their installation, though millions of gallons of fresh water have been discharged through them daily. It is now claimed that the salt water would damage the high-pressure machinery.*

The city paid exorbitantly for the erection of pumping plants for the new system, and it paid exorbitantly for power supplied by private companies to operate the pumping stations. It paid exorbitantly to equip them with telephones and other needed paraphernalia for emergency use, and it paid exorbitantly to man them with picked political crews. In that way, all the savings to the taxpayers by reduced insurance premiums, if any there were, were more than wiped out by the wasted city funds which the taxpayers were called upon to provide.

This department spent millions for water pipes from favored political contractors. One set of large mains purchased for use under one of the city's main thoroughfares, *lay for three years on the surface of the street before it was used.* An illustration of the manner in which these purchases were made was furnished when a contract was let for twenty miles of 72-inch main to extend the water system of one of the city's boroughs. A specific style of pipe was provided in the contract, which was awarded to a company that owned the patent on the pipe through a subsidiary. The city paid monopoly prices under the contract, in spite of the charge made in court that the contract was a fraud. No other contractor could supply the pipe unless he purchased it from this company, its subsidiary or from an agent of either.

Another illustration of the reckless waste of city funds in this department was the installation of water mains on the north shore of the city's island borough. The plan was to supply the community with water from another state through these pipes. A contract was made with a private water company in the adjoining state, but the sale of water from that state was prohibited by subsequent legislative act. In spite of this fact, the federal authorities were induced to grant consent for the laying of water mains in the bed of the channel between the island and the adjoining state. The life of the contract was repeatedly extended by the city authorities pending the delay in its fulfillment, and since the contract has been cancelled the pipes have been rusting out their million dollars' worth in the ground. These pipes are in the same borough in which the two private water plants are located, which the city purchased for \$2,000,000, and as a result of which transaction two politicians were generously rewarded for their "good will." While the city lost millions through contracts for the purchase of pipes and other material for water purposes, it lost a great many millions more through the theft of city water and through the failure of the department to collect water revenues.

The city spent \$75,000,000 for water supply and it was spending \$200,000,-

000 for more water. Its revenues were far below the cost of collection and the interest on the water bonds, until the discovery was made of the wholesale theft of water and of the inefficiency in collection. It was found that one sugar refinery stole millions of gallons daily through a surreptitious pipe that was unmetered and that breweries, hotels and manufacturing plants were common offenders. An unmetered pipe through which millions of gallons flowed daily was also found leading into the building of one of the city's most influential *newspapers!* The city sued for the recovery of half a million dollars, with interest, from the refinery, and recovered a verdict from the referee. No action, however, was taken by the city to collect the money, until months after the decision was pronounced. Newspaper publicity prodded the officials into action, and then an easy compromise was effected. The refinery repaid only a small part of its total *stealings.*

Water revenues were increased through closer inspection and through an exposure of conditions in the revenue collecting bureau. Since that time the income from water rates has exceeded the cost of collection and interest payment. An attempt was made to check all water waste by systematic and scientific means, and an expert was engaged for this purpose, but the expert's services were discontinued after a few months, in spite of the fact that large wastes were discovered. It was charged that his work was too expensive. In connection with the thefts of water by business establishments in the city, it was recalled that several years before the city's failure, *one responsible official in the Water Department had been presented with a check of large size by a group of the largest water consumers.* The presentation, of course, was without public ceremony.

Of the total supply of 500,000,000 gallons of water daily, the official estimate was that at least thirty per cent. was wasted. The waste was accounted for by accidental leakage, public neglect and theft. The unofficial estimate of experts was that fully half the supply was wasted and they pointed for corroboration to the per capita use of water in this city and in other large municipalities. The ratio was as three to one against this city.

The loss of water revenues, amounting to thousands of dollars daily, was only part of the wrong inflicted on the people of the city through the sale of its water. When the department started to increase its revenue, it ordered meters installed in all houses that were not paying for water on a frontage basis. Only such meters as were endorsed by the municipal assembly could be used, and only such plumbers as were recommended by the politicians were permitted to be engaged! In fact, where a property owner was ordered to instal a meter and he failed to do so within a prescribed period of time, the "public" plumber was ordered to do the work. This involved an expense of from two to five times the actual cost of installing the meter, but the landlord had no course but to pay the bill, which became a lien against his property. This practice involved a loss of several hundred thousand dollars to property owners before it was minimized as a result of vehement public protest.

There were other abuses in this department that seriously affected the public welfare. One of these was the levying of blackmail on small merchants who required licenses to operate electrical machinery in moving-picture theatres. This practice was coupled with a similar practice in the license

bureau attached to the mayor's office, in which the secretary of a former mayor was involved.

A recent attempt at economy in public lighting and heating showed how unpopular such a plan was with the officials of the water department. An official engaged in another office attempted to reduce the payments to the lighting companies by the extension of the city's own electric lighting and heating service. The city had an expensive plant in the ten-million-dollar Record Building, from which the city official intended to supply adjacent public buildings. The city had other buildings where expensive plants were installed, but their use was prohibited by the water department.

"We can get our light cheaper from the lighting companies," was the advice of the water department. "We can get electricity for three cents a kilowat hour."

The opposing city official, expert on the subject, showed that the current could be manufactured and supplied by the city itself for one half that price, but in spite of his claim, the services of the lighting trust were continued. The city also *declined to erect a lighting plant in its new \$14,000,000 municipal structure in spite of the fact that buildings one-quarter the size and one-tenth the cost, are equipped with their own plants.* A protest by organized electrical engineers against the further disuse of the city electric plant in its new police headquarters was also disregarded. The plant had been erected at a cost of many thousands of dollars, but the electric service in the building was provided by the lighting monopoly, at exorbitant price.

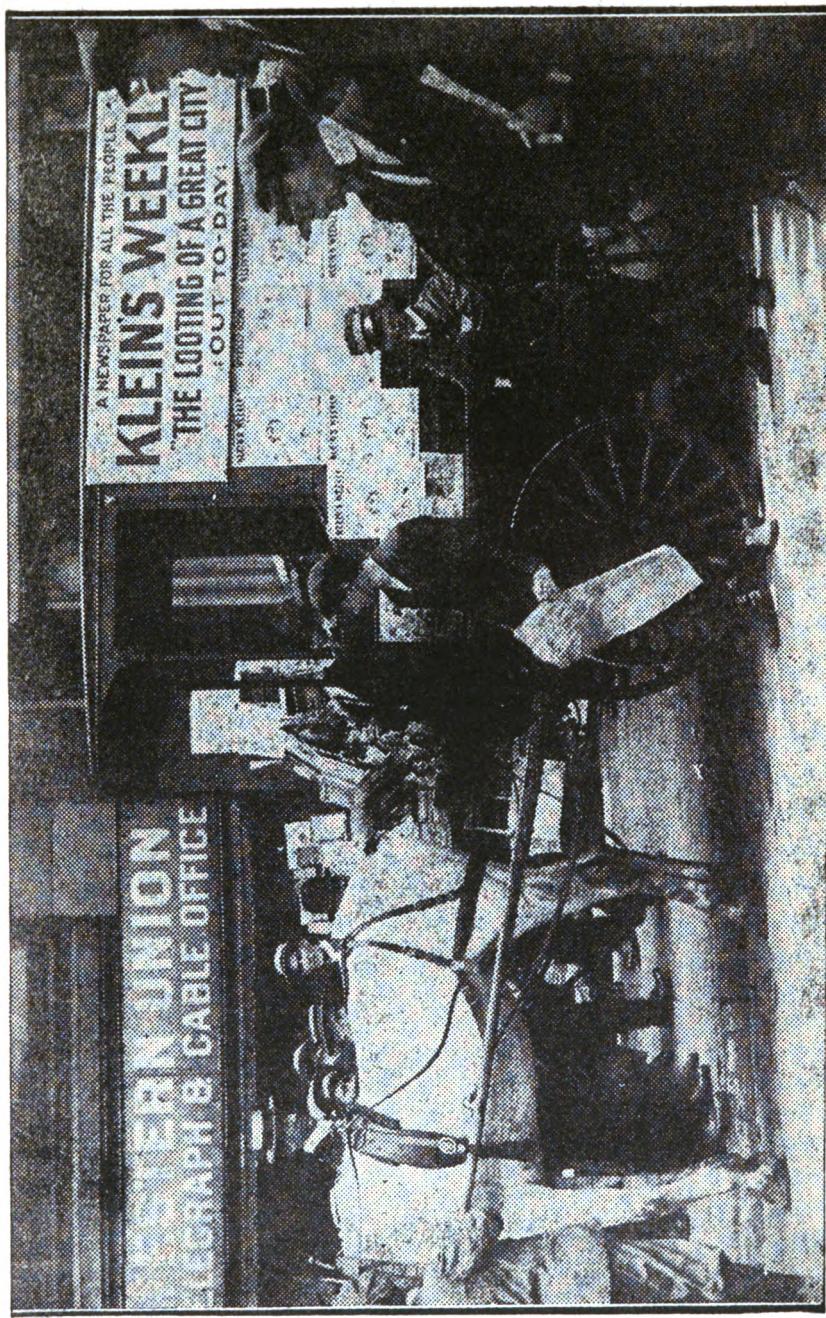
The city also erected an electric plant at a cost of \$20,000 for one of its charitable institutions, but no sooner was the plant finished than it was turned over to the lighting trust for exclusive use. The city paid the trust the same rate for current here that it paid in other institutions where there was no city-built plant.

The city's money was wasted in other ways through this department. Automobiles were purchased at prices far in excess of what they were worth, and they were manned by chauffeurs who received liberal pay for little or no work. The automobiles were used for personal pleasure by officials to whom they were provided. One automobile in this department was smashed while its occupant was on a pleasure jaunt outside the city, and repairs were made at the city's expense. This was only one of the many expensive pleasure trips in city automobiles which the taxpayers were compelled to provide. The astonishing cost of these pleasure cars and their uses will be told of at another time.

The city also paid \$15,000 for a boat to be used ostensibly in the detection of water thefts along the river front. No detections through its use are recorded, and the craft itself was sold for scrap iron a few years after its purchase. Its mechanism was faulty when purchased.

SUCH WAS THE RECORD OF THE WASTE OF PUBLIC FUNDS IN THE WATER DEPARTMENT, TO WHICH THERE WAS LITTLE ABATEMENT UP TO THE TIME OF THE CITY'S COLLAPSE. SIMILAR WASTE WILL BE TOLD OF IN OTHER BRANCHES OF THE CITY GOVERNMENT.

One method by which the author tried to arouse the people to the mismanagement of the Great City, in 1913.



## CHAPTER VII

### DOCK MISMANAGEMENT AND GRAFT

In spite of the fact that the city at one time owned every inch of its waterfront, it had outstanding, at the time of the failure, \$125,000,000 of dock bonds. This sum of money had been spent in the forty years of the Dock Department, for the purchase of land and for dock construction, and it was by no means all that the department had spent during that period. The annual *running expenses*, paid out of taxation and provided for in the yearly budget, was \$3,000,000. Bonds were issued only for "permanent" public improvements.

At the time of the city's failure, the plan was under way and at the point of execution, for the expenditure of \$70,000,000 more for dock purposes. Part of this money was to have been paid for half a dozen piers owned by a private corporation anxious to dispose of them. The piers jutted into the bay from the lower end of the city, and were backed by a series of warehouses of large capacity. The plan was to sell the piers to the city for a lavish sum—about \$10,000,000—so that the wharfs could be leased for less than what private capital might charge. In that way the business of the warehouses would be stimulated through *cheap* wharfage, at the city's expense. The securities of the warehouse were inflated in anticipation of such a transaction and the proposition was even presented that the proprietor of the warehouses should manage the docks after they were sold to the city.

"Stimulate the commerce of the port by increased dock facilities," urged the promoters of the scheme on the city authorities. "Buy *all* the waterfront and build more docks."

Many prominent and worthy citizens repeated the advice. The people favored municipal ownership and this public inclination was used as a lever for popular support of the dock project. The shipping interests, backed by influential bankers, also urged the purchase of the piers, as did divers civic bodies. The public had no understanding of the real facts. It was willing that the city should spend money for *useful* public purposes and it had been told that docks were a paying investment.

It was through the Dock Board that the city suffered its largest financial losses. The affairs of the department, involving the expenditure of \$15,000,000 a year, were administered mainly for the benefit of large shipping interests. Public scrutiny of its affairs was never invited; in fact its obtrusiveness was at times resented.

"We can manage our own affairs," was the curt reply of a former Dock Board President when pressed for an explanation why dock leases were made at *less* than their real value. "We don't need any outside interference."

The Board was appointed by the mayor and its meetings were usually secret. It was at these "executive" sessions that the public interest was persistently harmed. Knowledge of the Board's doings was withheld for months. In executing dock leases, no account was taken on the city's behalf of the expense involved in maintaining and repairing leased docks. Illumination was another item of cost charged against the city. The year previous to the city's collapse, it paid over \$5,000,000 for dock repairs and construction, which amount exceeded the total dock revenues by more than a million dollars. The balance of the \$15,000,000 spent that year went for other docks and ferry purposes and for salaries.

In order to be able *legally* to spend \$70,000,000 of dock funds, it was necessary first that that much money should be released from the prohibitions of the debt limit. The city could borrow for "public improvements" a sum not to exceed ten per cent. of the value of taxable real estate—and the taxable value of property had been stretched to the breaking point. The tax rate was as high as the city officials dared push it. THE MONEY FOR ADDITIONAL DOCKS WAS OBTAINED THROUGH THE PREPARATION OF A REPORT SHOWING THAT \$70,000,000 OF DOCK BONDS WERE SELF-SUSTAINING—AND UNDER A LAW THAT WAS RECENTLY ENACTED, SELF-SUSTAINING DOCK BONDS WERE FREE FROM THE OPERATIONS OF THE DEBT LIMIT!

Of the \$125,000,000 spent for docks, \$50,000,000 was paid for land along the water front which the city or state once owned. The balance was spent for dock construction. The city paid \$4,000,000 for a strip of waterfront adjacent to the private piers which it was proposed the city should buy, and it spent twice that sum for land on the west side, for a series of wharves which cost \$15,000,000 to construct. The total outlay for this "improvement" was \$25,000,000.

From the rental of these piers, the city derived \$585,000 a year. This was less than two and one-half per cent. of the total investment. The interest rate on the bonds, which ran from thirty to fifty years, ranged from three to five per cent., the annual interest payment being about \$1,000,000. The difference between the rental and the interest was the *net* loss sustained by the city on the investment. The *total* loss included \$250,000 a year for amortization of the bonds, and \$300,000 for depreciation, or an aggregate of \$1,000,000!

This was the price the city paid for the proud privilege of receiving its transcontinental tourists at the public wharves. It was the price the city paid to the gigantic shipping combine which leased the city docks for twenty years. The combination was formed by the financier who headed the syndicate that purchased the City Hall and who derived millions of dollars annually from the city by the purchase of its revenue bonds issued to the full amount of the budget in anticipation of taxes. The money was left with the financier and with his affiliated banks, and was doled out to the city only part at a time. In spite of this fact, the city paid interest on the full amount of the bonds issued.

The land for this improvement was acquired at exorbitant prices through condemnation commissioners selected by the politicians and appointed by the courts. The awards for condemned parcels totalled \$7,000,000, and were on

the usual lavish scale. The city paid \$500,000 interest on the awards and \$200,000 to the commissioners and their clerical help. Some of the largest awards were paid to property owners whose ancestors acquired their holdings free from the state or the city, or for only nominal sums.

The construction of the piers was let to private contractors, selected ostensibly through fair competition, but actually through official connivance. Their bills exceeded a fair valuation of their work by thirty per cent., the surplus representing the estimated value of political capital invested. It was because of the liberal profits on these contracts that one former head of the Dock Department became the owner of vast tracts of land in an outlying borough, and a former engineer in the department was advanced politically and financially. The engineer succeeded to the headship of the city's new Water Board and was subsequently elected to an important state office. It was confidently predicted that he would be the choice of his party for governor the subsequent year, but this prediction failed of fulfillment. The position he held in the state enabled him to distribute vast patronage and contracts amounting to millions of dollars.

The former dock commissioner was the principal owner of a company that derived more than two million dollars from dock contracts. This company obtained other large city contracts. The former engineer was reputed to be the partner of a contractor who did a great deal of work for the Dock Department, and who later organized a company to obtain the contract for the construction of the city's new subway.

Dredging to the extent of millions of dollars was done by the city. Most of the money was paid to a company that had a virtual monopoly of the work. On one contract the city paid *forty-five cents a cubic yard* for dredging a large area in which it shared expenses with the federal government. The government paid only *fifteen cents a cubic yard* for its share of the work, which was performed by another contractor. The opportunities for overcharging on work of this character were unlimited.

The financial history of the docks just recited is the same, only on a smaller scale, of all the other city-owned docks. Their purchase and construction were under the same general conditions of extravagance and corruption. It was not how economically could the land be acquired and the piers built, or how cheap could the docks be purchased, but what was the maximum profit each job could yield without evoking public outcry. There were few exceptions to this rule.

A striking illustration of how zealously the city's interests were guarded by succeeding dock boards is contained in the official records of the Dock Department. The last Board went out of office ten years previous, and since then the department has been ruled by a commissioner. The Board remained in office four years, and during that time virtually gave away everything of value within its possession or on which predatory hand could be laid. It leased piers and bulkheads to the brother of one of the board members and it awarded similar privileges to dummies and agents of themselves and other politicians. It leased dumping board privileges to the brother of the politician board member and to others, who afterward sublet them to the city through the Street

Cleaning Department for several times the rental they paid to the Dock Department. And this was only part of the rental these politician leaseholders received for the use of their dumping boards. Contractors and private ash-cart men paid large fees for the privilege of dumping their waste and refuse at the dumping boards leased from the city.

A dozen piers and bulkheads were leased to ice companies that formed the gigantic ice monopoly. The combination held the city in its grip for years and in order that the largest profits might be made out of its special privileges, it raised the price of ice and restricted the output. The public suffered because of the artificial shortage, and those who were unable to pay the price demanded, went without ice. The result was an appalling increase in the mortality of infants in the poorer quarters of the city, and corresponding public discomfort. Threats of violence and legal punishment were raised against the ice barons.

Charges were made that the city's own officials were implicated in the ice conspiracy, and an investigation established the truth of these assertions. It was found that the mayor himself was the beneficiary of free ice stock to the extent of \$500,000. And other city officials profited only in lesser degree. The head of the political organization at that time, who controlled the mayor, was also a large stockholder, as was the politician member of the Dock Board.

Some of the leases to the dock ring were made through a dummy who was a clerk in the office of a rising young lawyer. The lawyer later became the recognized legal adviser of the political "boss" and when he tired of political mischief, he sought refinement and public distinction by elevation to the judiciary. And he was promoted. He had gained notoriety through the acceptance of a fee of \$45,000 from the city for services which were characterized as "partly fictitious," and he was an important witness in a suit to recover \$400,000 from the city on a contract that was never performed.

While the city lost millions through the construction and leasing of docks, it lost almost as much through another source. In the early days of the Dock Department and even before that department was formally organized, the city's most valuable assets were its ferry franchises. In those earlier days the city's population was massed in the lower part of the city and the population of the adjoining communities was clustered along the water front. The only means of inter-communication was by ferry, and the rate of transportation was high.

The city leased these ferry franchises for sums that were ridiculously slim, and those who obtained them were soon numbered among the city's wealthiest citizens. The records of the Board of Aldermen, which had the franchise-giving power, show in what manner some of these leases were acquired. One franchise was obtained for \$1,100 a year and for many years produced only that sum for the city. A public outcry, coupled with the disclosures that the franchise was obtained through bribery, resulted in an increase of the revenues to \$20,000 a year. The rental remained at that figure for forty years, and was the same when the city collapsed.

Another franchise paid \$800, while another brought only \$50 a year. These sums were not increased until it was discovered that the profits from

the leases were several hundred thousand dollars a year. They were then raised to \$22,500 and \$12,000 respectively. One franchise was granted for \$25,000 a year amid general public approbation, until it was discovered that by a subtle act of official duplicity on the part of the City Council, the rental was reduced to \$1,400 before the lease became effective.

Such was the story of the fraud in ferry franchises contained in the official records. The frauds have been repeated on a larger scale, but in different form ever since. There were thirty-seven ferries in operation at the time of the city's financial collapse, producing an annual income of \$300,000. For many years prior, the income was under \$100,000. The city's total receipts from *privately* operated ferries was more than wiped out each year by the deficit in its own ferry operations. The deficit was over \$700,000 a year.

The city had paid \$2,000,000 for two ferry companies whose main assets were wooden hulks that were unsafe for use. It spent \$2,000,000 for new ferry boats, and it paid \$2,000,000 for new terminals. In all, it spent \$15,000,000 for its own ferries, the income from which was a deficit of \$700,000 a year besides interest on the bonds. This amounted to \$600,000 a year. At least \$100,000 had to be put aside for depreciation of property; the total *annual* loss on ferries, therefore, being \$1,400,000.

The city had other losses on ferries besides those mentioned. Its income was largely reduced through the payment of a subsidy of \$130,000 a year to one ferry company operating on the river, which claimed a private loss due to bridge improvement. And besides the subsidy, the city was buying a parcel of land from the company for which the company claimed a value of \$3,000,000. The city's contention was that the land was worth but a minute fraction of that sum and that it was originally acquired from the state for \$50. The condemnation commissioners, however, appointed by the court, one of whom was an intimate friend of the city's chief executive, awarded \$1,500,000 for the property.

The city's losses on its ferry investment was by no means confined to the deficit in operation and to the interest payment on the bonds, and depreciation charges. It was supplemented by the petty peculations of its ferry employees who, in the several years of municipal operation, stole thousands of dollars. It was estimated that the aggregate of these thefts was over \$100,000.

Similar thefts were perpetrated on the city docks, the temporary rentals for which were collected by dockmasters who were liberally paid. These dockmasters, it was officially reported, collected rents from temporary wharfage and for stand permits, that were never turned into the city. The aggregate of these thefts in the forty years of the Dock Department, aggregated \$1,000,000, there being thirty dock masters and a known annual wharfage and rental of over \$200,000.

None of these offenders, however, was punished. One dockmaster for whom a warrant was issued by the mayor himself, amid loud newspaper acclaim, was a relative of a leading politician. He became a fugitive for awhile with another, and when the excitement blew over he returned to the city and to the privileges of free citizenship. Neither he nor any other offender in the department was criminally punished.

There were many other avenues of public waste in this department. The

city spent \$300,000 a year for fuel for ferry boats and it spent \$50,000 a year for music at the recreation piers. The fuel was purchased from favored contractors and the music was supplied by musicians picked by the politicians in the districts where the recreation piers were located. The payroll of the musicians was padded with dummies.

The city paid many thousands of dollars for asphalt pavement along the marginal water front and it paid many thousands of dollars for lumber, rope, machinery, broken stones used in dock construction, including sand and gravel. There was waste in the purchase of all these materials, and there was a waste of several hundred thousand dollars alone in salaries to useless political employees. The waste in salaries in this department was on a par with that of other departments where the average waste was estimated by the city's former financial officer at over twenty-five per cent. The department carried 2,500 employees on its payroll at an annual expense of over \$2,000,000, the waste on a twenty-five per cent. basis being \$500,000.

One incident and the story of the mismanagement and graft in this department is finished. When the city constructed its chain of West Side piers for the benefit of the shipping combine, it provided electric elevators for the conveyance of passengers to the upper tier. The contract for the construction of these elevators was let at a cost of \$150,000, which was \$40,000 more than a reasonable sum, according to the statement made in writing to the city's chief executive. The writer, who was an expert of thirty years' standing in the elevator business, offered to prove his assertions to the mayor, but his offer was never accepted.

SUCH IS THE STORY OF THE CITY'S WASTE ALONG THE WATER FRONT. WERE THE MILLIONS SPENT FOR DOCK IMPROVEMENTS, HONESTLY ADMINISTERED, THE CITY'S INCOME FROM ITS DOCKS WOULD NOW BE SUFFICIENT TO DEFRAY NOT ONLY THE COST OF THE DOCK DEPARTMENT, BUT A LARGE PART OF THE COST OF GENERAL ADMINISTRATION AS WELL; AND THE RENTAL FOR THE CITY'S DOCKS NEED NOT HAVE EQUALLED THOSE DEMANDED BY PRIVATE CAPITAL. THE TOTAL WASTE IN DOCK FUNDS, INCLUDING THAT PART PAID OUT ANNUALLY FOR RUNNING EXPENSES, IN THE PAST FORTY YEARS, IS CONSERVATIVELY ESTIMATED AT \$50,000,000.

## CHAPTER VIII

### THE CORRUPTION OF THE CITY'S POLICE

When the Metropolitan Police force was established fifty odd years ago, its purpose was to protect the lives and property of the citizens who bore the expense of its maintenance and who felt the need of its protection. The force grew in size from a mere handful of interested fellow citizens to an army of more than ten thousand men, when the financial safety of the city became imperilled. Their ranks had grown with the increase in the size and population of the city and with the growth of other city departments, and their efficiency was expected to be at least on a par with that of their predecessors at the time the force was first created.

Their total annual salaries aggregated \$15,000,000, ranging from \$800 a year for the lowest grade to \$7,500 for the head of the department; and only a few years before the city's collapse, the salaries of some of the grades were increased and the Commissioner himself was seeking an advance to \$10,000. Charges were made that the increases had been purchased and that funds were raised to pay politicians for their "influence" over city officials. One of these attempts to "influence" those on whom authority for increase was conferred, was discovered a few years before while the commission to revise the city's charter was in session. A fund of \$50,000 was raised by the members of the force to engage counsel "friendly" to the commission. The chairman of the commission, when informed of the fact, ordered the books of the associations, embracing the various grades of policemen, brought before him and when the truth of the suspicion was confirmed, ordered the money returned to those who subscribed to the fund. The desired increases were not granted.

While the ranks of the department grew and efficiency was sought in increased ratio, a vice was bred in the higher quarters which for a quarter of a century paralyzed the usefulness of the men in the ranks. It checked the zeal of faithfulness and gave encouragement to the arm of incompetency and neglect where the interest of corruption held sway. Honesty was discouraged and the enforcement of law was restrained where law breaking was personally profitable to those who "controlled" the department.

It is but fair to say that responsibility for this condition was lodged only in the small percentage of police corruptionists who dominated the force and *not* in the rank and file of uniformed men, who obeyed the commands of their superiors for the safety of their own positions. It was the five per cent. who stole and demoralized the force, and not the ninety-five per cent. who performed their duties honestly, but within the limitations of zeal prescribed by the men "higher up." Vice was profitable, therefore vice flourished; so was gambling, both honest and crooked, as were other forms of law break-

ing that yielded princely incomes to those in official position who permitted them to flourish.

Sometimes law was spasmodically enforced by the police either because a police corruptionist sought revenge on an offending law breaker for personal or business spite; or because reform agencies were discovered ready to spring a trap on delinquent and conniving officials. On other rare occasions a lone policeman or group of them might undertake for fancied or real grievance against their superiors, to enforce the law on their own account without artificial restraint. At such times, the outburst of police zeal was quickly suppressed and the recalcitrant policemen punished.

When the city became bankrupt, official knavery in the Police Department was at its height. Vice was rampant, gambling was flagrant, rowdyism was unchecked, saloons were unlicensed in many places and frauds were perpetrated on the general public with the knowledge and connivance of the men "higher up." Wire tapping had been a lucrative form of public deception and in the space of a dozen years a total of at least ten million dollars was stolen in the city from an unwary public by this means. The fraud was profitable not only for those who practised it, but to some men high in political life who shared the plunder and shielded those engaged in its pursuit.

Wire tapping was not the only form of swindling that flourished through police connivance. The sale of green goods was also tolerated. This business was profitable at an earlier stage before wire tapping set in, and flourished to such an extent that its suppression became inevitable. It lasted for a decade and only those of political strength who engaged in the fraud were safe from police molestation. As the ranks of the green goods men became depleted, those of the wire tappers were swelled, and with wire tapping came other forms of "confidence" swindles.

One noted wire tapper, McNutt by name, was lodged in prison after a long career of crime. He himself had estimated the profits of his frauds at four million dollars and his detection came only because of his disagreement with a woman. The woman was of wealthy family, highly bred, and her association with the confidence man began after she herself had been robbed. She had invested several thousand dollars in a non-explosive tank which the wire tapper claimed to have invented, and her interest in the invention led her to business relations with the "confidence man." The latter had secured official endorsement of his worthless invention from the Fire Commissioner of the city after a test by the Fire Department of its false "practicability." The test was made at the expense of the city; the endorsement scattered broadcast, and at the end of the whole performance, acceded in by the city's own commissioner, the fraud was exposed and the swindle checked.

It was the pursuit of the vengeful woman that ended the glory of the wire tapper's career, and it was not until the relationship was exposed between the wire tapper and his protecting political ally, that the reason for his success was made known. The politician had shared in the profits of the swindle just as he and others of his tribe, had gathered in the proceeds of the green goods men and gamblers who infested the city and ran rampant throughout.

The proceeds of this political coterie and their swindling allies in the quarter of a century of their power, were at least \$1,000,000 a year. The total amount of the frauds perpetrated by the swindlers and encouraged and defended by their political associates, was greatly in excess of that figure.

Gambling was by far the most profitable of these swindling indulgences, first, because it was more extensive, and second, because it was carried on in every quarter of the teeming city and without serious police interruption. The force was controlled to a man by the discerning and artful politicians, and when a new administration was elected to power the cessation of gambling was only temporary. The profits of the game were so great that the corrupting politicians were usually able to induce the newly appointed officials to share the "spoils" with them.

It was in this way that from five to ten million dollars a year were extracted from the pockets of the poor and unfortunate, who were weak in their conduct and wrong in their indulgences, and from the purses of the rich who were snared into the pastime by the wiles of their enticing friends.

*Gambling corrupted the city at its core and ruined the homes of many men. It inflicted hardship on the lives of children and imposed misery on their parents. It carried sorrow to the hearts of mothers and resulted in self-destruction for some of them. All together it was an evil that caused untold sorrow and hardship and the profits of its promoters were blood and gold.*

Such was the toll of gambling. Greed inspired it and greed carried the gambler to his ruin. The politician, however, made the profit, and made it in more ways than one. A former chief of police, who was the controlling arm of the political gambling ring at one period of the city's existence, acknowledged once that four million dollars were the annual toll of police "protection" from gamblers in the metropolis. He did not include the profits derived by the promoters of the gambling games. He spoke only of the illicit gains of the police and the politicians who sold "protection."

*The town was then "wide open" and each gambling house was obliged to pay a certain sum of money, from \$100 to \$1,000 a month, for "protection." It was also compelled to pay a share of the net profits to a certain political ring and besides that, it was obliged to carry from one to a dozen persons on the payroll of its establishment for political purposes. The men who drew renumeration for "services" thus arbitrarily imposed, were camp followers of the politicians, who helped to maintain their patrons in office and in political power by the exercise of fraud on election day, when the suffrages of the people were offset and defeated by the crimes of election crooks.*

Such was the history summed up, of the effect of gambling on the peoples' rights, and such was the method by which these rights were politically denied. When an occasional awakening roused the people to political revolt, the politicians and their followers were usually defeated at the polls, but the effect of the uprising soon wore off and the vigilance of the citizen relaxed. The result was that seldom were the profits of gambling seriously diminished through continued police activity. *The profits of gambling houses, aside from the money paid for "protection," were sometimes shared directly by politicians, and this sum, with the aggregate paid for "protection," totalled*

*not less than ten and sometimes more than twenty million dollars each year of police inactivity!*

Save for the small percentage of industrious men, the great mass of people in the city were poor and what little they saved from the temptations of gambling were scattered to the winds by the vice of drink and by the allurements of *policy-playing*. This latter was another contrivance of diabolical money making, rigged by the crafty politicians who on the one hand "served" their "constituents" by providing them with occasional aid or succor, while on the other hand they set the bait that deprived them of all their worldly possessions and kept them continually poor.

Policy was the most insidious of all the vices invented by a sordid crew that lived off the toil of their unhappy brethren. It enslaved the women as well as the men and it made victims of the children who carried the paltry earning of their parents to the policy shops. The children were the aides of their mothers in the prosecution of the game, which left them without even the means of subsistence. Usually the savings of a family were systematically squandered in this manner by a hapless mother and the result left its mark on the entire family. The rich as well as the poor were ensnared by the game. Fortunately at one period of the reign of policy playing, a crusade was inaugurated which wiped out a large part of the profits of the game. A merchant of prominence, imbued with the spirit of charity and moved by the feeling that overcame him at the sight of its hapless victims, inaugurated a movement to stop the wretched swindle.

He gathered around him a staff of agents, and while some of them obtained evidence against the policy dens, others crusaded with a violence that tore the dens to pieces. These places were set in the poorest quarters of the city so that convenience of locality might be an added inducement to those unfortunate women who could be tempted to play. The crusades were successful and policy playing was continued only in a moderate way for many years thereafter until the swindle succumbed through lack of support. The victims became aware of the futility of their efforts to profit by the game and gradually their number diminished and the profits disappeared.

But while policy playing ceased through no fault of the police but through the efforts of private individuals, auction swindles and fortune telling shams were permitted to flourish and to entrap their victims. Auctioneers "faked" their wares and fortune tellers deceived their clients with tales of preposterous prophecy. The shams of these practitioners were sanctioned by the police clothed with the power and charged with the duty of their suppression. Occasionally an auctioneer, too flagrant in the fraud, was complained of by an obstinate victim and his license revoked, not by the police but by the civil authorities. One such incident occurred when an auctioneer, who had flourished conspicuously for many years in the upper part of the city, was detected in the fraud by an irate victim who retaliated for the deception by prosecuting the auctioneer before the licensing authority. The victim claimed to have been swindled out of \$7,000 on one transaction involving the purchase of pictures and furniture. The police were known to be "friendly" with this particular auctioneer who, no sooner was his license revoked, than he trans-

ferred his auctioneering privileges to an associate and the business was continued without interruption.

This is only one phase of the auctioneer frauds blinded at by the police. More flagrant than these are the swindling practices of those auctioneers who rent stores in the crowded thoroughfares and who by means of "cliques" and other factitious device entice the unwary who step in from the sidewalk, to profitable deception. The profits of these "fake" auction sales exceed \$3,000,000 a year and are swelled before holiday seasons when \$2.00 watches are sold for \$25.00 and \$50.00, and when imitation silverware, spurious pictures and other meretricious articles are sold as genuine. The victims of these frauds number thousands annually, and the licenses are issued by the city authorities with the connivance of the police, who obtain presents from auctioneers and who, if they performed their duty, would raid an occasional auction house and cart away its fraudulent goods. The "clique," who are paid for their services at the rate of \$2.00 and \$3.00 a day each, might then be compelled to seek legitimate employment.

For the purpose of detecting and preventing robberies, the city maintained a Detective force composed of the "pick" of the police and trained in the detective's art. These men, more than six hundred in number, were scattered throughout the city, directed mainly from headquarters and were especially deputized to carry their instinct into the inmost field of crime. Some of these men were assigned to duty on street cars, subway and elevated, and were especially designated for the task of detecting pick-pockets and preventing their operations. In spite of this special detail, pocket-picking was most prevalent during the last few years of the city's financial solvency. One of the reasons for this was that the city's chief executive had stringently ruled that no "suspicious" persons be arrested and the known and suspected pick-pockets were not interfered with though their operations might begin the next moment. An illustration of this condition occurred one day when an old time detective, who had been transferred from the Bureau, counted seven pick-pockets in a downtown station of the underground railway in the "rush" hour and left them to their own enjoyment.

"What's the use of picking them up," he thought, "if all I get for it is a 'call down' or a rebuke from the mayor himself."

The crooks had been encouraged by the action of several of their tribe who complained to the mayor of police "persecution." The mayor in turn ordered the police to desist from arresting persons on "suspicion." The mayor, when a member of the judiciary, had won the esteem of those who profited through the encouragement of vice and the sale of police "protection." At one time when the notorious "collector" for a police official was convicted of corruption, the honored jurist was found ready and willing to grant a judicial stay. When an election crook and divekeeper was sentenced for the crime of fraudulent voting, the aid of the jurist was obtained to stay his sentence. The aid of the jurist was also obtained to give a cachet of virtue to an immoral resort that was operated by the most notorious woman in the annals of the city. The police, at the instigation of a reform commissioner, were obliged to suppress the resort. When the divekeeper complained of police oppression the jurist himself visited the place and approved of its "goodness." He ordered the police withdrawn and intimated that their activities were for

purposes of blackmail. The evidence on which the resort was finally closed was obtained by the police on the same night that the jurist was entertained by the notorious divekeeping woman on his judicial visit.

This is only one of the illuminating spots in police annals that serves to accentuate the usefulness of the police when the inspiration of duty is obeyed. The failure of the police to detect or prevent crimes of burglary and highway robbery that were perpetrated was due first to the fact that the detective bureau was composed of incompetent men, some of whom were raised to front rank through improper political influences and others who were put there for more cogent reasons. The salary of these first-grade detectives was the same as that of the police lieutenants, and some of them were in the department only a few years.

There were other avenues in the Police Department through which the public money was wasted. There were a million dollars spent each year for repairs for old and new station houses and there were hundreds of thousands of dollars spent for the purchase of new horses at fancy prices and for the supply of feed and other provisions for the Department. There were thousands of dollars spent for automobiles for use of police officials, and the recent purchase of two small runabout automobiles showed how the city was discriminated against in the matter of price by the manufacturer. The city paid \$750 for each runabout, when, only a few days before, the same automobiles were sold by the manufacturer to an adjoining city for \$550 each. In the matter of repairs in precinct station houses, the city was overcharged from ten to two hundred per cent. In one precinct in an outlying section of the city where the actual value of the repairs was \$5,000, the sum paid was \$15,000. This ratio of the cost to the value of the work done was not unusual. These overcharges aggregate many thousands of dollars a year.

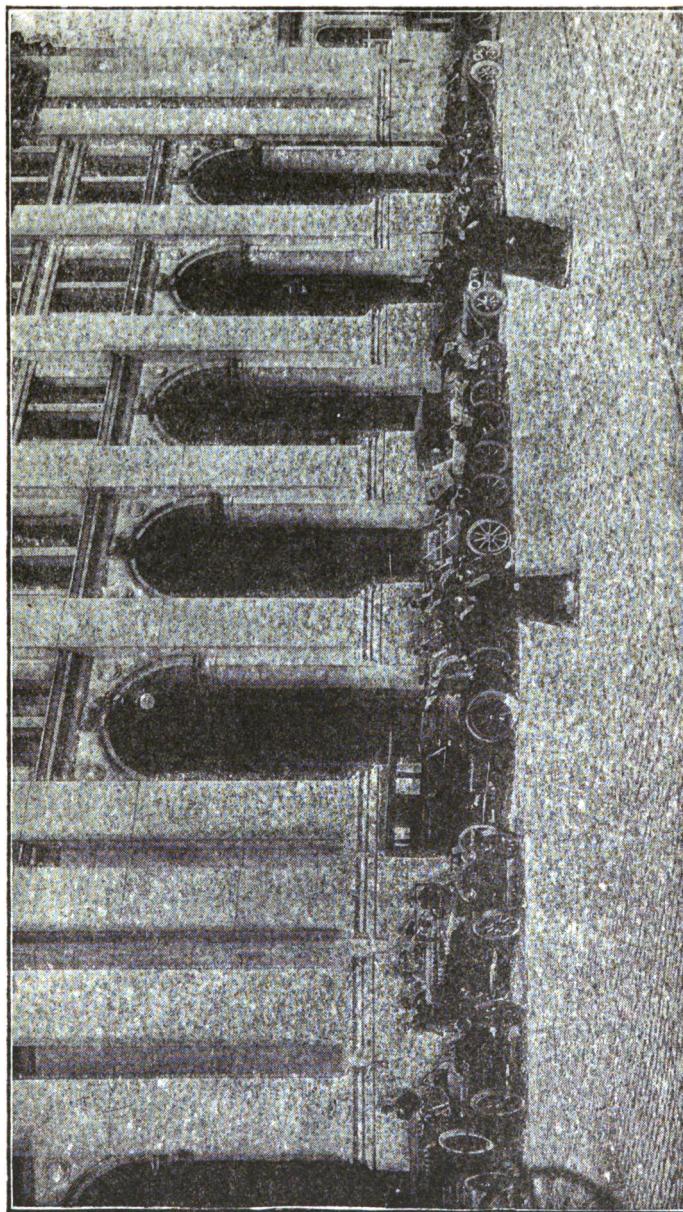
The Police Department also purchased a "training ground" for decrepit horses when the city's funds were low. The profits of the sales agents were enormous. The training ground was acquired for \$100,000, and was transferred to another department a few years later because no use for the property could be found. Those who sold the property to the city profited to the extent of many thousands of dollars.

The result of all this mismanagement in the Police Department was the enrichment of those who served the city as police executives and the debasement of the people themselves. One former head of the police force retired at fifty years of age with a fortune of more than \$1,000,000. Others, whose corruption was less profitable, left the department on comfortable pensions with from \$200,000 to \$1,000,000 within their personal grasp. One sanctimonious police official, who had reached the rank only of captain, had enriched himself to the extent of \$250,000, and he was still profiting from graft when the city became insolvent. He owns valuable parcels of property in and out of the city and his daughters draw pay as teachers in the public schools. His profit in three years of vice in one precinct was \$150,000.

The wealth of another police official was disclosed when the latter's wife brought suit against him in the court for an accounting. She was suing for separation because of her husband's misconduct, and when the suit was tried it was found that he owned fifty separate parcels of property in the city and that his personal wealth aggregated \$100,000. Another illustration of the

quick profits of corruption on the police force was the career of one policeman who had acted as "wardman" for an official still in the department. The "wardman" had been but twelve years on the force and was operating several saloons in the names of relatives while drawing pay for police duty. When his position as official collector was in peril of public exposure, he was promptly retired and the peril ceased. He still draws a pension from the Police Department, though his business as saloonkeeper has been extended and his wealth is estimated at more than \$200,000.

THUS IT IS SEEN THAT WHILE THE CITY WAS BEING PILLAGED, THE PILLAGERS IN AT LEAST ONE BRANCH OF THE GOVERNMENT WERE BECOMING RICH. THE HASTY PROFITS OF THEIR PROFESSION EXPLAIN WHY IT IS THAT, UNDER OATH, PREVIOUS POLICE OFFICIALS CONFESSED BEFORE A LEGISLATIVE INVESTIGATING COMMITTEE THAT THEY WERE ASSESSED VARIOUS SUMS FROM \$500 TO \$15,000 FOR PROMOTION IN THE DEPARTMENT. ONE CAPTAIN CONFESSED THAT HE PAID THE TOP NOTCH FIGURE TO REACH THE RANK WHICH HE HELD, AND THE CONFESSIONS OF OTHERS SHOWED THAT SUMS RANGING FROM \$300 UP WERE ACCEPTED BY THOSE IN THE DEPARTMENT WHO SOLD PROMOTIONS. THE PROFITS OF THE JOB WERE PLAINLY APPARENT. CORRUPTION WAS THE VICE THAT BROKE THE DISCIPLINE OF THE ENTIRE FORCE. IT WAS THE SAME HERE AS IN OTHER DEPARTMENTS EXCEPT THAT ITS EFFECT ON THE WELFARE OF THE COMMUNITY WAS MORE DAMAGING.



The Bankrupt City spends \$400,000 a year for the maintenance and repair of automobiles; \$200,000 a year for the hire of chauffeurs; and the original cost of automobiles for the use of public officials exceeds **ONE MILLION DOLLARS.**

## CHAPTER IX

### THE CITY'S HEALTH BARTERED FOR GOLD

At the time of the city's collapse, the Health Department was in the control of a commissioner who had previously been at the head of that branch of city government. In the ten years that he was out of office, he had established himself at the head of a chemical laboratory which bore his name and which derived its income from those food and drink purveyors who came within the jurisdiction of the Health Department. In this way he established a profitable business and was the "official" chemist of the large milk dealers, candy manufacturers, purveyors of household oils and lard, ice cream manufacturers, egg and poultry dealers and large dealers in practically every other foodstuff whose sale was subject to the approval of the Health Department.

For ten years the former Health Commissioner lived on the profits derived from his professional services to these large providers of city food. His selection as Health Commissioner was therefore not expected by those who followed the course of sanitary events in the city, in the interest of the public welfare.

The Commissioner's laboratories had organized an association of "sanitary milk dealers," and the association held its meetings in the laboratory. An employee of the laboratory was secretary and organizer of the association and the laboratories were specially retained by the association to look after its interest with the Health Department. This association comprised the largest milk dealers in the city, and their aim was to create a demand for "pasteurized" milk. Pasteurized milk was sold at an advance of a few cents per quart over unpasteurized milk, and these milk dealers were anxious also to raise the price of bottled milk to nine and ten cents a quart and to do away with the sale of milk from cans entirely. Three-quarters of the poor people obtained their milk from large cans in nearby grocery stores, and this milk was almost invariably boiled before using. This boiling process made the "dipped" milk about as *safe* for family use as the "pasteurized" or "certified" milk, and the price for "dipped" milk was only half that of each of the other two. This might have been one of the reasons, aside from the other reasons set forth by the head of the laboratory after he was reappointed as Health Commissioner, why the sale of "dipped" or can milk was inhibited in the city. Compulsory pasteurization would also accrue to the profit of an official of the Health Department who had invented a home "pasteurizer" whose sale was aided by the milk regulation.

No sooner was the Commissioner appointed to office than it was realized that his professional service as expert chemist to the various food and milk

dealers was not at all in harmony with his services to the public by which he was employed. One of the first evidences of this fact was observed soon after the laboratory chemist became Commissioner, when the association of "sanitary milk dealers" petitioned the Commissioner for a modification of the milk regulations, which was granted.

First, they wanted the double inspection system in the milk dairies, whence the city's supply of fresh milk came, modified and simplified so that only *one* inspector would visit the dairy. Heretofore there had been double inspection as a check on the dairies and on the inspectors, it being authoritatively claimed that the greatest danger from disease lurked in "*unclean*" milk. One of their reasons for this modification was that the visit of more than one inspector to a dairy only "*confused*" the dairyman and caused him to divert his supply of milk to another market. A "*uniform*" method of inspection was urged.

Another regulation which this association of "sanitary milk dealers" wanted modified was that which provided for the removal of manure from the cow sheds before milking. The "sanitary milk dealers" wanted this cleaning done *after* milking, because it compelled the dairyman to rise "too early."

"It is our opinion," they gravely said, "that a cleaner milk would result from milking the cows before cleaning the stables in the morning."

The federal health authorities declared that manure was one of the most fruitful sources of danger for milk, and that the safest way to avoid disease germs was to remove the manure *before* milking. It was this extra work for the dairyman to which the association of "sanitary milk dealers" objected. Another suggestion urged by this association, clients of the laboratory which bore the Commissioner's name, was that the railroads transporting milk to the city be compelled to provide "proper" cooling facilities for the milk while in transit. Their petition stated that as a result of "improper" cooling, milk was received in the city at a higher temperature than allowed by the requirements of the Board of Health. This was an admission that milk was actually being dispensed by the members of the association that was unsafe to drink because of its high temperature. There were other large milk dealers who were not members of the association who were icing their own milk en route in order to live up to the health requirements.

The rest of the petition submitted to the Health Commissioner by the association created in his own laboratory, had to do entirely with pasteurization. The first request to advance the cause of pasteurization was to remove the prohibition against the sale of pasteurized milk from *cans* in stores. It was conceded by chemists, physicians and bacteriologists that pasteurized milk must be more carefully guarded than raw milk, because disease germs grew more rapidly in pasteurized milk from which the good germs (which fight the harmful ones in all milk) are killed off by the process of heating.

The petition also requested that the time for delivery for pasteurized milk be extended from 24 to 48 hours after pasteurization. This request surprised physicians and milk dealers in general who were not members of the association, because it was officially declared at a hearing before the

State Legislature that pasteurized milk after 48 hours was dangerous to infants or invalids.

*This petition made no request for the ENFORCEMENT of a single milk regulation and asked only for concessions to LOOSEN them; the object being to popularize pasteurized milk even to the point of selling it from cans in grocery stores. Terms were invented on which the milk dealers were enabled to charge their own prices for bottled milk and a different price was fixed on milk that was "certified," "guaranteed," "inspected," or "pasteurized."*

Though these various designations were applied to the milk, in order that prices ranging from seven to fourteen cents a quart might be obtained from the consumers, the price of milk to the farmer was not over three cents a quart, and sometimes only two cents. The price at the dairy was fixed by a combination of milk dealers in the city so that these milkmen, most of whom were the clients of the laboratories which bore the Commissioner's name, were able on the one hand to dictate how much the dairyman should receive for his milk and also how much the public should pay. The profits of the milk companies were enormous, in consequence. The milk dealers explained that the high price of milk to the public was due to a shortage in the supply and the shortage in the supply it was discovered, through a criminal prosecution against the milk dealers, was due to the fact that dairymen refused to supply milk at the *low* price which the milk exchange had set. They were turning their milk into cheese and their cream into butter, and the price of both commodities had also steadily advanced.

During the time that the Commissioner was directing the work of the laboratories and acting as expert chemist for the various wholesale tradesmen whose business so vitally affected the public health, his agents came into frequent conflict with the employees and officials of the Health Department. Among those engaged in the laboratories with the former Commissioner were former employees of the Health Department. At the head of the sanitary division in the Health Department was an official who himself had been elevated to that office by the former Commissioner. The chief sanitary officer directed the work of enforcing all the health regulations, and it was to him that all reports were made, through the various subsidiary chiefs.

An illustration of how lax were the prosecutions against milk dealers for violations of the sanitary regulations while the laboratories "represented" the "sanitary milk dealers," and while the sanitary superintendent was responsible for the enforcement of health regulations, is shown by the fact that but few prosecutions for milk adulteration were made until after the city's official investigating body called attention to the frequent sale of impure milk. Prosecutions by the Health Department then increased *seventy-five* per cent., according to court records.

A business firm from another city which had originated the industry in broken eggs and which had a branch office in the city, was banished from the city because it was selling bad eggs for food. These bad eggs were to be sold only for tanning purposes. This firm engaged the laboratories as "expert chemists" and, following such employment, instructions were issued to the food division of the Health Department that the eggs of the firm in question

should *not* be analyzed. Whereupon the firm wrote to the sanitary superintendent asking permission to buy "spot" eggs in the city for a company located in another city which was only a subsidiary of the firm in question. It was claimed that the purchases were made and that the eggs were to be used for tanning purposes *only*. Permission was granted and it was pointed out as an indication of the friendliness of the sanitary superintendent with this particular egg dealing concern, that the sanitary superintendent had exceeded his authority in granting the request, which could only be granted by the Board of Health, of which he was not a member. No sooner was the permit granted than the firm which received it had it photographed and sent broadcast to egg shippers throughout the country, so that shippers would send their "spot" eggs to the firm which had the *only* permit issued by the Health Department.

A week prior to the issuance of this permit a demonstration of egg-breaking was arranged by the firm in the laboratories of the former Commissioner, which it then employed. It is attested that when the Chief of the Food Division of the Health Department, who was present, was asked what he would do if such "spot" eggs were sold, he replied that he would arrest the seller. Whereupon the former Commissioner, who was then "expert chemist" for the egg dealer, replied that his own ideas upon the subject had undergone a material change since he was formerly in office. The objection to the public sale of the eggs by the chief chemist of the Health Department, who agreed with the head of the Food Division, was overcome by the permission granted to the firm a week later by the sanitary superintendent. Subsequently, when egg dealers were arrested by Health Department inspectors for selling *bad* eggs, representatives of the laboratories that bore the name of the former and subsequent Commissioner, appeared for the offenders with certificates from the laboratories that declared the eggs were *not bad*.

In this way many of those who offended against the public health by the sale of bad eggs were safe from prosecution by the timely service of the laboratory. One such arrest which occurred a few years ago is typical of all others. A baker who was using a can of bad eggs with which he was "painting" loaves of bread for the purpose of providing a gloss, was arrested by a health inspector and arraigned before a magistrate. The prisoner was held for trial in a higher court, after he pleaded guilty. He later withdrew his plea and, after the case was adjourned twice, he finally came up for trial. A chemist from the former Commissioner's laboratory appeared on behalf of the defendant who had purchased his eggs from the firm which was the laboratory's client, and which held the only permit from the Health Department previously referred to. The defendant was also represented by the egg firm's lawyers. In court the lawyers produced samples of cake made of fresh eggs, which they claimed were from the *same* grade of eggs used by the defendant. The claim was so strongly urged and so well corroborated by the laboratory's chemist that, in spite of the refutation of the Health Department's inspector, the charges against the prisoner were dismissed and he was allowed to go free. The trial of this baker occurred after the head

of the laboratories had been reappointed Health Commissioner, though his arrest occurred three months before the appointment was made.

The laboratories also figure as active in the defense of health offenders *after* the Commissioner's reappointment, when a number of lard dealers had been arrested charged with adulterating lard with cotton seed oil. The offenders were released from custody by the Health Commissioner before whom the charges were pressed by the Health Inspectors. The laboratories were also of service to a group of candy manufacturers who had been arrested charged with adulterating candy with sulphurous acids. There were 29 candy dealers taken into custody, and they were fined by the court. They appealed from the conviction and the appeal was denied by the higher court. In spite of this denial many of the candy dealers arrested afterward were dismissed from custody by the sanitary superintendent. They were clients of the former Commissioner's laboratory.

The use of sulphurous acids in meats to preserve their healthy appearance, which is considered a serious offense against the health of the people in *other* cities, was ignored by the Health Department after the reappointment of the former Commissioner. Butchers who had been arrested for such offenses were released from custody without prosecution.

*In more ways than those cited, the Health Department was used for the injury of the City's health rather than for its protection by those who sought commercial profit.* The "rot" and "spot" eggs mentioned above were used in scores of bakeries in the city, and the extent of the practice was not fully revealed until a secret investigation was made by the city's official investigating body. The investigation disclosed that their use was general and that most of these eggs were originally purchased in the city, shipped to another city, and reshipped to the city where they were sold to bakers. They were supposed to be used for "tanning" purposes *only*.

It was also shown that under the Commissioner who had been reappointed after ten years of private practice as an "expert chemist," bob veal and horse meat were sold in the city in violation of the law, that foodstuffs of all sorts were adulterated, that ice cream was sold far below the standard of nutrition required by the federal health authorities, that chicken slaughter houses continued to violate the law, that decayed fruit and vegetables were sold throughout the city, in spite of the vigilance or because of the lack of vigilance of the health inspectors, and that the public health was menaced as much under the new commissioner as at any previous time. The report of the city's official investigating body more than a year after the Health Commissioner was reappointed to office, shows how flagrant was the sale of improper meats throughout the city. This investigating body engaged the services of a specialist in meats employed by the federal government, and discovered in half a dozen days that thousands of pounds of meat and poultry unfit for human consumption were offered for sale in various parts of the city. They discovered 7,000 pounds of sausages, pork, lamb, veal, poultry and beef which they condemned in sixty different places.

*In one of the city's slaughter houses they found carcasses of cows which showed that the cattle were unmistakably in an advanced stage of tuberculosis before they were killed. These diseased carcasses were discovered in a*

*slaughter house where the only inspection was by the city's Health authorities.* No federal inspection was extended to this place, because the slaughter house supplied meat only for local consumption; and the local inspector assigned to this slaughter house, it was found, had no qualification whatever for the detection of diseases in animals. It was also found by this special investigation that another inspector was 76 years of age, and that he was too infirm to detect or arrest provision dealers who sold improper foods. The investigators found that one poultry dealer in the city's market offered 325 pounds of chicken for sale at two cents a pound, and that the poultry was so putrid that it offended the nostrils. Yet the aged inspector of the Health Department failed to either arrest the poultry dealer or to report the circumstances of his offer to his superiors. This unsatisfactory condition of affairs was also discovered in the fish market and in the slaughter house division.

In spite of all this inefficiency in the Health Department, there was scarcely a limit placed on expenditures to provide for the comfort and convenience of the city's employees in the department. The Commissioner, who received \$7,500 a year, was supplied with an automobile, a chauffeur, two horses and a carriage for his convenience. Twelve automobiles were provided for the heads of different inspection divisions, and the sanitary superintendent himself was supplied with a smart, sharp-cut automobile, which he used like the rest largely for pleasure purposes. His machine was painted a light brown, and, instead of having the initials of the Department conspicuous, the letters were scarcely two inches long and were concealed from public view on the back of the automobile. The total cost of the operation of these automobiles was \$20,000 each year, and their repair and maintenance cost half as much again.

An investigation by the city's chief investigating body shows that the main purpose for which the automobile was used by the Commissioner himself was to convey him to and from his home and office. This was the main use to which the cars of other officials of the Health Department were put. Other cars were used more for pleasure than for business, and the records of the garage where the automobiles were stored show that the automobiles are in use almost constantly outside of business hours.

In connection with the reappointment of the Health Commissioner it is interesting to learn a few of the circumstances preceding and following his selection. Before his appointment went into effect, some weeks after his predecessor's term of office expired, there had been negotiations between the city and private interests for the re-letting of a contract for five years for the removal of offal (dead horses and other animals) from the city's streets. Under the old contract the city paid \$50,000 each year for the execution of this contract, the term of which expired with that of the previous commissioner. Before the contract was re-let, a subsidiary of the beef trust offered to execute the same contract for five years for the same figure. The company had no plant except one whose operation for the purposes of the contract were prohibited by the rules of the Health Department, because the plant was too close to population.

The bids of the other companies who had plants that were suitably

located, were less than that of the first company. In other large cities where the supply of offal was not as large as in this city, the companies that obtained the contract were obliged to *buy* the privilege. This fact was known to the new Commissioner, but in spite of this and in spite of the fact that the old companies, whose plants were properly located, offered to do the work for many thousands of dollars *under* the price submitted by the beef trust subsidiary, the latter company *obtained the contract at the higher figure.*

*It then developed that this successful competitor had formerly been a client of the laboratories which bore the Commissioner's name and in which he was active for so many years, and it also became known that certain large political interests were favorable to the new company.*

There were other items affecting the public health and the public pocket-book that were plainly neglected by the Health Department, under the new Commissioner. Bad oysters were sold throughout the city, bakeries were conducted in grossly unsanitary condition, large meat slaughter houses continued to violate the sanitary code and the filth in the chicken slaughter houses was unchecked. All these conditions were disclosed through official and formal investigation. The city's investigating commissioner revealed the scandalous truth about the filthy bakeries, and newspaper disclosure showed the unhealthy state of the oyster beds. It was common rumor (afterward proven) that proprietors of chicken slaughter houses paid various sums for their permits from the Health Department, and a formal report made by a quasi-official investigating body showed the unsanitary conditions in the meat slaughter houses.

A great boast was made in the public print by the Health Department about the saving of the babies' lives through a purified milk. In most instances this boast was only a sham, and the savings that were alleged were largely imaginative. *The claims however, had the effect of extracting larger funds out of the city treasury to be spent by the Health Department and of exciting a few tender women to further milk charities. Each boast resulted in an additional appropriation by the city to "save the babies' lives."*

There was larger waste of public money in the purchase of drugs and other supplies by the Health Department, and there was a great deal of additional waste in the conduct of a public sanitarium by the Health Department outside of the city. The city at one time appropriated \$200,000 for the improvement of this sanitarium, but the visible benefits of this expenditure were few.

An investigation of conditions in the up-State sanitarium showed that of the thirteen hundred acres of land owned by the city, consisting of thirteen farms, six of the farms were used primarily for private purposes, and of the five hundred persons admitted to the retreat two hundred were paid employees of the city. This left but three hundred patients to be cared for by the physicians and attendants, whose annual salaries aggregated more than \$200,000. There was room for thousands of patients in this expansive retreat, with its broad acres of fertile farm land. *Crops sufficient to supply all the city's charitable institutions could be raised on this acreage, but nothing of the sort was done, and the city paid thousands and hundreds of thousands*

*of dollars for fruits and vegetables that might have been supplied from this institution. Automobiles and carriages were at the service of most of those in the city's employ in this institution, and the waiting list of patients anxious to be admitted, numbered thousands.*

The year before the city's collapse the Health Department, which had been provided with \$3,200,000 for ordinary expenditures, requested an extra appropriation of \$2,630,000 for improvements and additions to the institutions under the jurisdiction of the Health Department. The Health Commissioner requested an appropriation of \$105,000, which was to be spent for "enlarging and improving" the up-State sanitarium.

The Commissioner wanted to purchase additional farm land for \$20,000 for which there could be no immediate or remote use.

Large sums of money were wasted by the Health Department in salaries for needless employees, appointed mainly for political purposes. The payroll was filled with the names of employees recommended by politicians. These political pensioners were designated as inspectors, clerks, nurses, and under other titles, but their employment served no *health* purpose. They were useless in the Department and their names only swelled the city's salary accounts.

The Health Department was frequently used by powerful politicians for their own selfish ends, and one of the most conspicuous instances of this usage was when the Health Department was used to compel a business transaction with the overhead city railway. The Mayor and Health Commissioner were ordered to compel the railway to remove its structure from one of the city parks over which it ran. This demand was withdrawn after the politician's terms were met by the railroad company.

Another illustration of the use of the Health Department for personal and private ends was the compulsory use of "sanitary" drinking cups in public places throughout the city. A regulation was adopted by the Health Department ordering the removal of the common drinking cup in public places on the pretext that disease germs in these common cups endangered the health of the general public. Individual "sanitary" paper drinking cups were installed in public offices at a cost of thousands of dollars to the city, and in city theatres and in other public places at a direct cost of extra thousands of dollars to the public.

All this health hypocrisy was nurtured by the city's health authorities for many years, and the conclusion did not come until the city became financially insolvent. The insolvency was hygienic as well as financial.

*A short time before the city's collapse the Health Commissioner acknowledged that when he re-entered the Health Department he assigned his \$18,000 stock in the laboratories which bore his name, to his brother-in-law who was not known to be a man of financial means. He also acknowledged that for "love and affection" he transferred his stock holdings in an anti-toxin company, whose operations were subject to control by the Health Department, to his beloved wife.*

*Such was the history of the city's Health Department. It was on a par with that of other city departments, except perhaps that it affected the public in a more vital manner.*

## CHAPTER X

### FIVE MILLION DOLLARS A YEAR THE EXTORTIONATE COST OF CITY LIGHTING

At the time of the city's collapse, its annual lighting bill was *five million dollars*. This sum of money was paid each year to the consolidated group of lighting companies who charged the city extortionately for both gas and electric light. Under the contract between the city and the electric light company, the latter was receiving \$90 and \$146 for 450 watt hours of current which were sold to other cities by other companies for \$60 and \$70. The claim of the electric light company was that in order to carry out the terms of the city's contract, it was necessary to supply 700 watts at the lamp. *It charged the city for this EXCESS current over the contract requirement.*

The city also had at the time of its failure, isolated electric plants in various public buildings which cost approximately a million dollars. The use of these plants was restricted by those officials responsible for the city's lighting, who declared that electric current could be purchased cheaper from the lighting trust than it could be manufactured by the city. This claim was based on "tests" made in the city's own lighting plants, one of them being in the new building occupied by the Police Department. For several years the plant in this building, which cost \$90,000, remained unused, because of the desire of certain public officials to favor the lighting trust at the expense of the city.

During the "test," which was made at this plant under the direction of engineers from the electric lighting combination, four city engineers and four firemen were employed at the plant. The test was made at a time when little heat was required in the building, so that the full cost of operating the plant was charged to electric illumination. The cost of heating greatly exceeds that of lighting in large buildings, because nine-tenths of the steam produced from the coal is used for heating purposes and only one-tenth for lighting. The "test," therefore, "vindicated" those officials who were responsible for the excessive toll of the lighting trust for power and illumination supplied to the city's police headquarters. While the electric plant remained idle, the city was charged with the salaries of three engineers and four firemen supposedly employed at the plant. During all this time, the city was paying interest on \$90,000, the cost of its construction, and  $7\frac{1}{2}$  cents per kilowatt for illuminating current and six cents for illuminating power. *The current and the power could have been generated by the city's own plant at a cost not exceeding three cents per kilowatt hour.*

A more striking illustration of the waste of public funds for the benefit of the electric lighting combination is the sum paid for electric current for

lighting and heating the city's hospitals. The city was constructing at the time of its failure a new consolidated hospital at a cost of \$12,000,000. An electric plant costing \$500,000 was installed on the hospital grounds. The city was paying  $7\frac{1}{2}$  cents per kilowatt hour for current in the old hospital which was being replaced, and it was paying six cents per kilowatt hour for electric power. The city had an electric plant in the old hospital, which was used only at *minimum capacity*. It cost \$100,000 to construct, but, instead of generating current for light, heat and power in the building, it was used only for auxiliary purposes.

The current for the old hospital was still purchased at the figures quoted at the time of the city's failure. The electric plant in the old hospital was used only to supply steam heat for kitchen and laundry and for pumping water to various parts of the building. The city might have saved \$6,000 a year if the current from this plant had been used to manufacture ice in the building, which was purchased at that price annually. The extravagance for lighting and heating did not end with the old hospital and with the expenditure of a half million dollars for electric plant in the new hospital. Instead of paying  $3\frac{1}{2}$  cents a kilowatt hour under the terms of the contract for the new hospital, the city was actually paying  $7\frac{1}{2}$  and 6 cents per kilowatt hour for power in the new building. The contract for  $3\frac{1}{2}$  cents was avoided by the transmission of electric current to the new building through the meters of the old building, where the contract rate was  $7\frac{1}{2}$  cents and 6 cents per hour for illumination and power respectively.

*The city paid these extortionate prices for lighting and heating in the new hospital in spite of the fact that its own electric plant, constructed at a cost of half a million dollars, was finished and ready for use. The cost of operating the engine room and boiler in the new hospital was \$80,000 a year, of which \$40,000 was spent for fuel. Its expensive machinery was depreciating in value as a result of its deliberate disuse. The plant was sufficient to supply electric current for a population of one hundred thousand. The plant could generate sufficient current for all the public buildings in the city and save at least one-quarter of the five million dollars contributed annually to the lighting trust.*

Another illustration of how the electric trust was favored at the expense of the city by the city's own officials, was in the case of the Record Building, erected at a cost of ten million dollars. In this building, whose scandalous jobbery was told in an earlier chapter, the city had an electric plant which cost \$60,000. This plant could generate 600 kilowatts. Several years before the city's collapse it was learned by those outside of public office that the plant was used to only one-quarter of its capacity. The Record building was within a few hundred feet of the City Hall, and was surrounded by other public buildings, which were supplied with current and power by the lighting trust. The cost of this service was *four* times the cost of the current manufactured by the city's own plant, a few hundred feet away, in the basement of the Record Building.

Following this discovery a faithful city engineer proposed that the extra current that could be generated from the plant in the Record Building be extended to the surrounding public buildings and to the City Hall itself. He also proposed to supply heat and power to the court houses across the

street. This plan was simple and its execution would have entailed but slight expense. It would have saved the city many thousands of dollars each year. It was rejected, however, by the officials of the Water Department, who had partial supervision over the electric supply of the city. It was claimed by these officials that current could be obtained from the lighting trust at as cheap a rate as the city could manufacture it. The cost of manufacture in this building was approximately  $1\frac{3}{4}$  cents per kilowatt hour.

The expert wisdom and judgment of the Water Department also produced a handsome profit for the lighting trust for many years prior to the city's failure, from the purchase of illuminating current and power for one of the city's large museums and for one of its hospitals in the upper district. The city had its own electrical plant in both institutions, and when the point was raised that the current could be manufactured by the city cheaper than was charged by the lighting trust, the officials of the Department proposed that a "test" be made. The "test" was under their direction, and, according to their figures, it showed that the cost of generating electric current and power in the hospital building was eight cents a kilowatt hour and that the result in the museum building was fourteen cents per kilowatt hour. The Water Department officials who made the "test" announced that the cost of electric current for illuminating purposes in the hospital building, from the city's own plant, was \$24,000 a year. The actual cost of the power and current developed by the plant for one year subsequent to this official test was \$23,000, and this included the use of the plant not only for illuminating purposes but for heating the building and operating the electric elevators, for ventilating—laundry and kitchen use, and for the manufacture of ice.

A like refutation was given to the figures supplied by the city officials, whose "test" showed that the city's museum could be supplied with electric light and power cheaper by the electrical trust. The "test" made by the officials showed that the cost of current in the museum from the city's own electric plant was *fourteen cents* per kilowatt hour. The subsequent test made by a group of electrical engineers employed by a civic organization showed that the power was *not fourteen cents* per kilowatt hour, but *four and three-tenths cents*, including interest on the money invested in the plant. *Another test made by the National Association of Stationary Engineers showed the actual cost per kilowatt hour to be 2.69 cents.* It might be added that the first "test" made on the plant in the city's museum showed that the cost per kilowatt hour for generating current was 29 cents. This sum was reduced by the same officials after a second "test," lasting one year.

To offset the seriousness of the agitation for the extension of the city's own electric system, the lighting trust offered to supply the city with current at the same rate that it charged private consumers. This offer was extraordinary, since favored consumers, it was learned, were supplied with electric current at as low a rate as 1.89 cents per kilowatt hour. This low rate was extended only where electric current could have been manufactured *under* that price by private consumers. The offer to reduce the rate to the city was announced with a flourish by the officials of the Water Department, as well as by the agents of the trust itself, but when analyzed it was found that, instead of giving the city the current at the low rate of one and a half cent per kilowatt hour, the company's concessions were made only on a graduated

schedule; that is, the contract price was reduced from  $7\frac{1}{2}$  cents to 5 cents and 3 cents, provided a *certain quantity* of electric current was used. The contract provided that where less than 100,000 kilowatt hour of current were used the rate would be  $7\frac{1}{2}$  cents, and that where more than 100,000 and less than 200,000 kilowatt hour were used, the rate would be 4 cents. The final reduction to 3 cents was made where more than 200,000 kilowatt hours were used. Under the contract, no reduction was made to the city where less than 100,000 kilowatt hour current was used. In such case the rate was  $7\frac{1}{2}$  cents for illumination and 6 cents for power. The concessions of the company were noisily announced, but the city gained little advantage over its previous contract. *The city at all times paid considerably more for current from the electric trust than did private consumers who threatened to generate their own current.*

In order to equalize its profits and to make up for losses suffered by concessions to large competitors, the electric trust extorted an excessive rate for its current from small private consumers. Trades people in various parts of the city, as well as householders, were compelled to pay ten cents per kilowatt hour. Protests against this overcharge were made, and expert engineers proved at public hearings that the electric trust was favoring large consumers with heavy rebates; in fact was supplying them with current below cost, to stifle individual competition. They also showed that the rate to small consumers was excessive, and that, in spite of unfair concessions made to these large consumers, *the profits of the electric trust were annually more than eleven million dollars, which was six per cent. on the actual invested capital in the company, plus seven per cent. on \$71,000,000 of so-called franchise value.*

*This franchise value cost the electric trust or those who owned and controlled it, NOT ONE CENT. The franchises for the various constituent companies in the combination were awarded by the city, and at the time of the city's collapse it was charged that the electric trust owed the city about ten million dollars as the city's share of the profits from the operation of one of the trust's subsidiaries.* A few years before the city's failure, it was discovered that this subsidiary company on whose franchises the electric monopoly was based had concealed its profits. Under the terms of the franchise, the city was to have received all profits above ten per cent.; it was also provided in the contract that if the company failed to carry out this provision, that the city should forfeit the franchise. It was known for many years that this company's earnings were largely in excess of ten per cent., but it was not until the city's financial condition became precarious that an attempt was made to recover these sums. Testimony was taken before a referee, and, just before the city's failure, its financial officer reported that the city had been defrauded out of at least \$3,200,000 by concealment of the profits by the conduit company. *This sum was determined on SPECIFIC items, and the city's financial officer also reported that the company was indebted to the city SEVERAL MILLIONS MORE, but that no determination of the exact amount could be reached, because of the company's involved method of book-keeping.*

The city paid for electric and gas illumination during the generation preceding its financial failure, while the lighting companies were influential

in electing officials to public office, a sum in excess of \$60,000,000. It had spent, as already stated, more than one million dollars for electric plants in public buildings, and, through official stupidity or misconduct, the city was erecting a new municipal building at a cost of \$15,000,000, without installing its own electrical equipment. This building was 24 stories high, and covered an area of three city blocks.

The same general scheme of extortion practised by the lighting trust on the city was carried on for many years by the gas monopoly. The city was in the clutches of this combination, and its history, written in the records of the state legislature and in the reports of other official bodies, shows how constantly the city was defrauded and how systematically the people were overcharged. The city itself provided the company with franchises under which it was enabled to pipe its gas through the streets and supply it to the people, yet, in spite of this liberality on the city's part, the city was overcharged on the price of gas.

For ten years the people paid \$1.25 a thousand cubic feet for gas, and for many years previous the price was \$2.50 per thousand cubic feet. This price was reduced after continuous agitation. When the price was at \$1.25 per thousand cubic feet the company claimed that its property would be confiscated if further reduction was made. It showed by figures that the cost of manufacture and distribution was virtually as much as the charge itself per thousand cubic feet. The public demand for a cheaper gas, however, continued and, in spite of the cry of confiscation, the price was reduced to one dollar a thousand cubic feet. The gas company threatened to go out of business. The officers pleaded that they would be unable to continue with profit. It was at this point that a determined effort was made to determine the cost of gas production, and it was found, after exhaustive inquiry by a legislative committee, that the actual cost of manufacturing and distributing gas in the city was 42 cents per thousand feet, *and that the highest cost did not exceed 52 cents*. The committee, after months of deliberation, concluded that the rate for gas should be reduced to eighty cents, and it estimated that on such rate the gas company could make a liberal profit on its capital, *allowing as much as fifty million dollars for the good will and franchise rights of the various companies in the consolidation*. The company had actually inflated its capital by \$100,000,000, and its cry of confiscation was based on the fact that it would be unable to pay dividends on this inflated sum.

Instead of reducing the price of gas to eighty cents *immediately*, as directed by the legislature, the gas combination contested the legality of the legislative act. Pending this test, the people were compelled to pay the dollar rate per thousand cubic feet, and when the highest court in the land affirmed the action of the state legislature, the company had in its coffers *more than twelve million dollars paid to it by consumers in excess of the eighty-cent rate*. The court ordered that this excess be returned to the consumers from whom it was collected pending final judicial settlement, but so difficult was this task that \$2,000,000 remained in the treasury of the gas company because of the disappearance of rightful claimants, many of whom had died or forgotten about their claims and left the state, while many others *were denied their rebates because they were unable to establish their claim*. The cost of illuminating gas in other communities was less than one-half the price charged to

the people of the Great City, and in spite of the cry of confiscation at each formal effort made to reduce the price of gas, the gas combination was in a flourishing condition at the time of the city's failure.

For many years complaints were directed to the city officials and to the gas companies that the quality of gas was below standard and that excess quantities of water were forced into the gas mains. The effect of such action, if true, was that the illuminating quality of the gas was weakened and the poisonous element in the gas strengthened. This resulted in the quicker consumption of gas on account of its diminished quantity and because of the increased pressure in the pipes. Gas bills were increased in consequence. *Whatever the proof of these charges there was grim evidence year after year than a dangerous quality of gas was supplied to the people. There were numerous cases of gas asphyxiation reported each winter when tenement windows were kept shut to keep out the wind and weather. At such times, with poor ventilation, many poor persons were found dead in bed after the gas light had died out and poisonous carbonic oxide filled the rooms. Only watered gas could have produced this fatal effect when it escaped from the gas jet after the light was automatically extinguished.*

The history of the gas franchises in the great city were steeped in as much scandal and public deception as was the history for franchises of electric lighting. The first company which obtained its franchise from the city, a half century before, was obligated to reduce the cost of gas illumination to the people after ten per cent. profit was earned on the franchise. When this profit was exceeded, the company doubled its capital, *dividing the excess profit among its original stockholders.* By this means the reduction in the price of gas was *postponed* for many years. Under the terms of the franchise, a stipulation was made that this company could not combine with any other company without forfeiture of its charter. This proviso was circumvented when a holding company was organized to take over several of the independent gas companies. The total capitalization of the individual companies in the combination, which was legalized by the legislature, was \$17,000,000. This was increased to \$37,000,000 by arbitrary arrangement among the companies themselves, and *the profits from the sale of gas to the people of the city were sufficient to pay ample dividends on this inflated capital.*

One of the pretenses on which the combination was formed was that the price of gas would be reduced as a result of economies in manufacture and operation. It was publicly declared that consolidation of the various companies would result in *large savings from administrative expenses.* The combination resulted in the reduction in the number of high-priced gas officials, but this was accomplished only by the pensioning of those who were compelled to make way for the insiders in the new combination. *Instead of improving the quality of gas, it was deteriorated* and the better grade of gas manufactured by some of the constituent companies was restricted in volume. The agitation for cheaper gas followed the realization that the consolidation of the gas companies brought only increased profits to the stockholders.

For ten years prior to the city's collapse a franchise tax had been levied by the state legislature on all public service corporations operating under city franchises. During those ten years, the lighting trust, including the electric and gas combinations, refused to pay the franchise tax, which grew each

year by a million dollars. A test was made by one of the franchise-holding corporations, which resulted in a final court adjudication sustaining the franchise assessment on that particular company. On the basis of that final decision, the city had assessed the lighting corporations at *less than their* actual franchise value. These assessments should have been increased following the decision in this test case, but, instead of increasing the assessment, a compromise was accepted on the basis of the first assessment. The final settlement of the tax, however, was not made until the city's debt with the lighting trusts was so large that it equalled the accumulated amount of franchise tax, and the city's financial officer accepted the compromise which resulted in clearing the company's franchise debt on the basis of what the city *owed* the lighting companies, on charges which were grossly excessive. The exorbitant profits of the lighting trust only hastened the city's financial end.



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Vast Profits from City Franchise Went to Swell the Already Swollen Fortunes of Only a Few Men

## CHAPTER XI

### PARK DEPARTMENT PRIVILEGES AND PROPERTY EXPLOITED FOR PRIVATE GAIN

The story of the city's Park Department is the same as that of every other branch of the city government. The people's property was used for private purposes and, wherever an opportunity presented itself for private profit at the city's expense, there an individual was found draining the city's resources. Park privileges were a fruitful source of private profit, and more than one person of political prestige lived comfortably and well from these privileges.

In one instance, a political non-office-holder derived an income of \$25,000 a year through his "control" over one park privilege; this was the privilege of permitting goats to transport children in small wagons along the city's principal boulevard in one of the parks. This politician died several years before the city's collapse, but his widow, a comely young woman who survived him and who was but half his age, inherited a fortune of \$200,000. The political non-office-holder never had visible means of support, never having held public office; but his wealth grew nevertheless, and one of his principal sources of income was this particular Park privilege. The city, of course, owned the park and it also owned the boulevard along which these goat wagons meandered; but it was for the politician to say who should receive the privilege, what price should be paid to the city for it, and how much he himself must receive.

There were more profitable privileges farmed out by politician middle-men in the city's parks. There were restaurant privileges, boat privileges and privileges of diverse description, and each brought a profit—not to the city, but to the middleman who exploited the city's property. There was a concession let for a fashionable restaurant on city property along the drive, and for years the privilege was held by an astute business man. At the time of the city's collapse, this thrifty merchant had acquired the possession of a parcel of property close to the Casino which he conducted. The parcel was worth a quarter of a million dollars. He had also acquired an interest in a fashionable ten-story apartment house overlooking the Casino property. The apartment house was worth at least another quarter of a million dollars.

When it came to balancing the city's record in regard to this particular concession, it was found that not only was the rental inadequate, but that at the *end of a stated period the city was actually in the debt of the lessee*, because of the terms of the contract which he had made with the city in the beginning. The history of this privilege is interesting. The city owned the Casino building, and rented it for one year for \$6,300. The lessee was to make repairs at his own expense, in addition to this rental. The lease was renewed for ten years at the rate of \$3,500 a year, but after a few

years a new lease was drawn covering a similar period of ten years. The rental this time was reduced to \$2,400 a year. The excuse for this reduction was that the lessee had spent several thousand dollars in repair work to increase the convenience of his patrons. The patronage and profits increased while the city's rent declined and in the end the city was the lessee's debtor. The fact that he had acquired property of enormous value adjacent to the city's own Casino, out of profits on the city lease, was not taken into account when the balance was struck.

There were other privileges let on the same unprofitable terms to the city. There was an inn along the city's subway rented at five per cent. of the gross income for a period of ten years. So far as the city's records are concerned, *not one dollar of rent had been received at the expiration of the ten years.* Under another contract for a casino in the park in the heart of the city, the privilege was to have provided a revenue of \$3,000 a year for ten years. Prior to this lease, the rental of the casino was \$9,000 a year. This rental was arbitrarily reduced by the city's own responsible official. Through this new lease the city was deprived of \$60,000, while the profits of the casino *grew through increased earnings.* The new lease provided also that the lessee should receive *reductions on account of repairs and insurance.* These reductions amounted to \$4,000, and the net result to the city of the ten-year privilege was not over \$26,000, *less than one-third of what the city might have earned under the former contract.*

Another illustration of the mismanagement of the city's parks, in so far as its revenues are concerned, was the leasing of the privilege for carousels. The city *derived \$600 a year* for the privilege in its most important park. It was let on a monthly rental of ten per cent. of the gross receipts, and the lessee never reported more than \$6,000 a year income. A similar lease in another city park *produced an annual revenue of \$6,600.* This lease was let at public auction, and the difference in income shows to what extent the city was the loser from this privilege in its most important park. Needless to say, the privilege was let without comparative bidding.

The city lost hundreds of thousands of dollars annually through the dishonesty of public officials responsible for these park privileges. In the same park where the political non-office-holder made a fortune annually through the manipulation of one important privilege, the city's loss through similar mismanagement and fraud was approximately \$200,000 a year. The boat privilege in this park produced a revenue for ten years, under lease, of \$1,750 per year. This privilege was let in conjunction with the carriage privilege in the park, and together the city's revenue was \$2,250 a year for ten years. *This same double privilege in a less important city park produced a revenue of \$7,700 a year,* this privilege being let through "public advertising." The privilege in the more important park was let through *private arrangement.*

This same story of the city's financial wrong even to the smallest lease in the park is the history of every privilege owned by the city and rented through responsible park officials. The city's income, instead of increasing, was continually decreasing, until an investigation was made several years before the city became bankrupt. It was discovered then, by a comparison

of rentals, that the city's *decrease in four years, contrasted with a similar period, was \$78,000*. The city's income should have increased that sum, if not more, over the previous period.

The city leased the use of the mineral spring in one of its parks at a rental of \$500 a year, the contract period being for ten years. At the expiration of that time the city not only received *no rental* from the lessee, but *was out several thousand dollars on the contract the lessee having claimed more than \$5,000 for repairs to the building owned by the city*.

A similar story of the city's wrongs through its park leases is the rental of a tavern in the city's most important park for a term of five years, at five per cent. of the gross receipts. The lease provided that the lessee would make repairs at his own expense, but, notwithstanding this stipulation, the licensee was permitted to deduct \$2,633 of the amount of his rental. Vouchers for only a portion of this sum was submitted to the city for consideration.

It would be tedious to review the destruction of the city's financial interest in all its park leases, but some of them, of course, must be cited to show how damaging such contracts have been. The income from park leases, if commensurate with their value, would have provided a considerable part of the funds needed to conduct the city's affairs. The commensurate rental would have exceeded half a million dollars a year, the difference between what the city actually got and what it should have received being diverted from the city treasury. Those who were able, through political influence, to manipulate the disposal of these park privileges were the beneficiaries at the city's expense.

Not only was the city's interests damaged in the mismanagement of its parks through these improper leases, but it was damaged through the misuse of park funds. One hundred thousand dollars was spent in one year by the department for the hire of teams and carts. Some of these teams which were supposed to have been hired for park purposes, *were never used*, and it was discovered in one year that 65 teams and 40 carts which had been hired supposedly for *necessary purposes*, were engaged from a liveryman through a political agent who had farmed out the renting privilege. The city was also mulcted in the extravagant cost of feeding and maintaining the teams which it hired, and the horses which it owned. It cost the city an average of \$55.84 to feed a single horse each month; the average cost for feeding and stabling a horse in any other part of the city being not more than \$30 a month.

The city spent \$377,000 in one year for the service of "labor," and in that year it was discovered that the city had two foremen for six laborers, and that these six laborers had no work. The foremen were engaged in debating the prospects of continuous employment with these inactive laborers during most of the time that they were on the city's payroll.

These are only some of the incidental details which made it as relatively expensive for the city to conduct its park department as it was to conduct other city departments. The park department had under its control a botanical garden and a zoological range. It paid from \$50,000 to \$200,000 *each for structures to house the animals in this zoo*, and at the end of eight years the cost of maintaining and improving this institution was \$1,700,000. The bills for these improvements and expenditures were unchecked because

the Zoo was managed by a so-called private society, the city having appropriated the land and provided the buildings, the society supplying the animals. The city had also paid out approximately \$800,000 during the same period of eight years for the maintenance and improvement of the botanical garden, and no check or audit of these expenditures was made, because of the same conditions.

There was no adequate check on the cost of supplies used by the Park Department, and no adequate record kept of what supplies were purchased. The Department had on its payrolls a supervising force of 60 or 70 men, and a laboring force of 1,000, and most of these were supplied through the political organization of which the head of the department or his influential friends were factors. In fact an investigation disclosed that of 135 vouchers paid to employees, 90 of them went to members of one political club.

Another illustration of how the city's interests were injured through the sale of park privileges for private profit, is the rental of stands in the lower part of the city. Those who held concessions for two of these stands declared, when questioned, that they would prefer to pay a larger sum for the privilege to the city. One of these stands was afterward let under contract, and through private bidding, for \$8,000 a year, and the lessee was enjoying a handsome profit from this privilege when the lease was cancelled by the city. There was no adequate explanation made why the lease was cancelled, the understanding being that it was done at the direction of the mayor of the city after it was disclosed that a friend of the mayor had secured a commission from the lease. The cancellation of the lease cost the city about \$8,000 a year, because the stand was relet at only a nominal sum. The stand could have produced a revenue of \$12,000 a year instead of \$8,000, but, through some peculiar conception on the part of the mayor, no such rental was permitted. This particular stand was under a long flight of stairs in the city's park, close to the city hall, and, instead of renting it for the purpose of general convenience to the public, it was rented to a woman who sold flowers. Her receipts, of course, were not sufficient to warrant anything but a small return to the city from her profits.

There were a great many boathouse privileges rented along the city's waterfront park for only nominal sums. Many of those who held the privileges acknowledged that they would gladly pay more than the rental exacted, and some of them also acknowledged that instead of paying the city a proper return on their lease, they were obliged to pay the difference to a person of influence.

An investigation showed that the accounting method of the Park Department for all the privileges under its control was so inadequate that under no circumstances was it possible for the city to know exactly how much money it derived from rentals. The bank deposits showed irregularities, and park receipts were found to have been used by city employees for private purposes. The deposit entries seldom agreed with the rentals stipulated, and the inference was clear that the money was used by those who were responsible for rental collections and deposits. Investigations showed frequent discrepancies between receipts and deposits exceeding a thousand

dollars, and this difference was usually due to the fact that the money belonging to the city was used by responsible park employees.

There were other avenues of city waste and injury, financial and otherwise, through the administration of its parks. Property belonging to the Park Department, for which the city paid large sums, was appropriated by private individuals, who felt their influence of sufficient strength to prevent criminal prosecution. One ranking police officer stole flowers from the park, which were carted to his home in a police patrol wagon. Other city employees appropriated expensive flowers in their own way. It was discovered in one instance that a park employee had cut down cedar trees and used the lumber to make a wardrobe and other useful furniture for himself. It was also discovered that park dirt was used to fill in the cellars of private homes. It was charged that great waste resulted from the resoiling of the city parks at a cost of many thousands of dollars, and it was charged that a patented closet had been provided in contracts for use in the city's comfort stations. These stations were constructed under the jurisdiction of the Park Department. It was well known that music in the city's parks were supplied by musicians recommended by the political factors, and in most cases the music masters were compelled to divide their profits with their political sponsor. In some cases money was paid out of the city's treasury for the services of musicians when none were actually employed, those receiving pay being unable to render a single musical instrument.

At one time a lake in the city's park was drained of water, in the dead of winter, and an explanation advanced to those who resented this action was that the water was drawn off *in the interest of a private skating rink*. During that entire winter, when the freezing weather would have kept the ice in the lake hard for skating, the skating rink was crowded with patrons.

The city spent many thousands of dollars for gymnasium in the park, aside from the open-air playgrounds which were provided at large cost. In one of the small parks in the congested East Side of the city, an outdoor gymnasium was constructed, at a cost of \$100,000. The annual cost of the maintenance of this structure, including interest on the bonds for the construction of the gymnasium, was \$8,000. The city spent several hundred dollars a year besides this for coal for heating the gymnasium, and it was erecting a similar park gymnasium in another part of the city at a cost of \$200,000 at the time of its financial failure.

The city had acquired two seaside parks at a cost of more than \$3,000,000. It began negotiations for one of these parks several years before title was passed, and at that time those who owned the property were willing to sell at a cost of \$1,000,000 for twice the area actually taken. The city was obliged to pay \$1,250,000 for the property when it took title to the parcel. The other park property was in the city's crowded summer resort. It was owned by land speculators and politicians who had conducted an amusement hippodrome on this site. A fire had wiped out the hippodrome's profits, and the insurance received had redeemed the mortgage on the parcel. Those who owned the property *had issued bonds to the amount of a million dollars. The bonds were held by politicians and influential newspaper publishers, as well as by land speculators, and at the time of the city's collapse these persons were engaged in trying to create a million dollars of value for their bonds.*

There were others who owned some of these bonds who paid for them when issued. The collapse of the city resulted in a saving on this transaction, the city being without funds to pay over the sum required. The land speculators had retained the most valuable part of the property for themselves and were selling the city that which could be used for no other purpose except as a bathing beach.

The city also leased the privilege of operating a stage coach along the drive, and it extended this privilege without compensation. A complaint was presented to the Park Department against the extension of this privilege to the city's drive. An opinion of the city's law officer was prepared to the effect that the operating stage company had no legal right whatever to operate its stages on the city's drive. This legal opinion was submitted to the Park Department, who restrained the stage company from operating on the drive, but no sooner was this commissioner out of office than the privilege was re-extended to the company, *in the face of the opinion of the city's own law officer.*

THE MISMANAGEMENT OF THE CITY'S PARKS WAS APPARENT IN ALMOST EVERY ACTION TAKEN BY THE RESPONSIBLE OFFICIALS OF THE DEPARTMENT FOR MANY YEARS PRIOR TO THE CITY'S COLLAPSE. IT WAS NOT UNTIL A FEW YEARS BEFORE THE CITY'S FAILURE, THAT THE MISMANAGEMENT OF THE PARKS BECAME GENERALLY KNOWN. THE CITY'S GROWING FINANCIAL DIFFICULTIES MADE IT NECESSARY THAT STEPS BE TAKEN TO RECOVER ALL AVAILABLE INCOME ON CITY PROPERTY. IT WAS THROUGH THIS MEANS THAT BY DEGREES THE PEOPLE BECAME INFORMED OF THE DETAILS OF THE MISMANAGEMENT OF CITY PARKS AS WELL AS OF OTHER PUBLIC WRONGS. OF COURSE, THESE DISCOVERIES WERE MADE WHEN IT WAS TOO LATE TO RESTORE THE CITY TO FINANCIAL SAFETY.

## CHAPTER XII

### THE LIVES OF THE PEOPLE WERE IMPERILLED AND THEIR MONEY WASTED THROUGH POLITICAL MISUSE OF THE FIRE DEPARTMENT

The city's fire department was in the hands of the politicians for a great many years, and the result was tragically displayed a few years before the city's financial collapse, when a large loft building took fire. Up to that time, the city had purchased quantities of rubber hose through the medium of agents representing politicians, at prices largely in excess of their value. The inferior quality of the hose was not discovered, however, until this terrible fire, when the lives of several of the city's fire-fighting force were sacrificed. It was then discovered, after investigation, that practically every length of hose that had been purchased in previous years was bought at extravagant cost to the city, in order to allow a large margin of profit to political intermediaries.

It was found that the hose used at this particular fire, which burst when ordinary water pressure was applied, was purchased through an agent who had no establishment other than that of a middleman's office; who knew nothing whatever about hose, except that a profit was made out of it at the expense of the city. It was found that thirty lengths of hose burst at this particular fire and that seven of these lengths were purchased within three years, with a *guarantee of quality*. The investigators also found that but sixty-five per cent. of the hose in use in the department was of serviceable quality, and that the city was in peril of the spread of conflagration because of their inferior quality and damaged condition.

The investigators also found that, while large appropriations of money were obtained by the fire department from the city for the *ostensible purpose* of purchasing new hose, a large part of the money thus appropriated was diverted to other use. After the fire referred to, the politician middleman, through whom the fatal hose was obtained, was compelled to disgorge twenty thousand dollars to the city. This was, at the time this same middleman was deputy commissioner of the city's water department, presided over by the politician who was formerly fire commissioner and who was responsible for the purchase of the inferior hose in question. *This politician was absolved from responsibility for the purchase of the hose, because he was political manager for the Mayor then in office.*

There was considerable waste of public funds in the purchase of fire apparatus, such as trucks, engines and fireboats. The city acquired two fire-boats at a cost of a quarter of a million dollars, several years before the city's collapse, and the excess payment was fifty thousand dollars. These con-

tracts were let during the administration as fire commissioner of the political manager in question who had no interest in the city's welfare, who was an adventurer in public office, and who was in public life only for "what there was in it."

At no time in the ten years prior to the city's collapse, with the exception of less than a year, were the destinies of the city's fire department presided over by a really competent commissioner. That brief period was when an ex-fire chief was elevated to the deputy headship of the department, just prior to the death of the fire-fighters mentioned as a result of the bursting hose. This former fire chief intended that the department should be restored to discipline, but every effort in this direction was frustrated by the appointed head of the department, who, as previously stated, was the Mayor's political manager. The old fire-fighter was subordinate in control, and his efforts to restore discipline were checked by the political use to which the department was put. The old veteran was compelled to submit to the mismanagement until the scandal of the bursted hose shocked the city, after he retired. The responsibility for this scandal was then thrown on the district politician who had succeeded to the headship of the department. And the politician accepted the responsibility in order that the mayor's political manager, who was formerly in control, might escape public censure. The political manager was at this time in control of the city's water department, where he had been transferred by the mayor. *His agent who had sold the city the "rotten" hose the bursting of which resulted in the death of two firemen, was then his deputy in command.*

Following the scandal of the bursted hose, the public demanded that a non-political commissioner be placed at the head of the fire department. This was the opportunity for the veteran fire-fighter who had been subordinated a few years before as deputy commissioner of the department because of the exigencies of politics. He was restored as commissioner, but so discouraging had been his previous experience that he had actually worried himself sick. He was in this debilitated condition when he again returned to the department, and the hard work imposed on him through his renewed efforts, resulted in his death. He was vexed and harrassed while commissioner, and his friends declared that his hands were tied, and he was unable to administer the affairs of the department as they should be. One illustration of this was his effort to remove the chief of the Combustible Bureau, when he learned to his chagrin that this official was the appointee of the former political head of the department, who prevented his removal. The veteran commissioner was also contemplating the removal of the secretary of the department who was also a political appointee, when he was informed that the removal must not take place. Such discouragement hastened his death, which occurred less than a month after he resumed office.

As a result of the political mismanagement of the fire department, the efficiency of the fire-fighting force was greatly impaired. The chief of the department, the head of the uniformed force, was a young fire-fighter, who, though elevated through politics, was competent for the position, and able to maintain discipline. His control of the rank and file was usually interfered with by the appointed head of the department, and this conflict of authority

was brought to a head a few years before the city's collapse. A young man of arrogant disposition and conduct was appointed to the headship of the department, and immediately thereafter, a clash of authority occurred. The law clearly defined the duties of the fire chief, but these were overridden by the commissioner on nearly every occasion. The commissioner was anxious to elevate certain members of the uniformed force to the rank of deputy chief and was also anxious to manipulate the transfer of other members of the force. This manipulation was resisted by the chief and the upshot of the antagonism was that the latter was retired on a pension in order to relieve the strain in the department.

The lives of those who worked in the crowded city factories were virtually within the keeping of the fire department, charged with the responsibility of enforcing proper safeguards in factory buildings. The department employed inspectors at fair salary to insure the protection of factory workers and to superintend the condition of factory buildings. Most of these so-called inspectors were merely political dependents, the sole purpose of their employment being to provide for them at the expense of the city. The tragic result of the inefficiency of this inspection service was a fire in a shirtwaist factory which resulted in the death of more than one hundred persons, mostly women. The city had on its payroll up to that time about a score of these so-called inspectors, none of whom did an efficient day's work. The city again learned a lesson from this fatal fire, just as it learned from the tragedy which preceded it because of the inferior quality of hose. The city was paying thousands of dollars annually for so-called "fire inspection," just as it paid hundreds of thousands dollars for hose of inferior quality.

The annual administration expense of the fire department was more than ten million dollars, most of which went for salaries. A few years before the collapse of the city, a request was made for three million dollars for new buildings, and a million dollars for the employment of so-called "fire prevention inspectors." This new bureau was the outcome of the catastrophe which resulted in the death of so many factory workers. The main purpose of the prevention bureau was to provide additional places for political dependents.

During the last few years of the city's solvency, the fire department embarked on the purchase of electrically propelled fire appliances. The cost of a single fire engine was more than five thousand dollars, and of a single fire truck from eight to twelve thousand dollars. These expensive apparatus were purchased virtually without competition and their cost imposed a heavy burden on the taxpayers. The expenditure for repairs was far greater than that of other apparatus propelled by horses, the cost of which was about one-half those electrically propelled.

When the new fire prevention law went into effect, it was charged that one of the purposes of the law was to enforce the use of a patent sprinkler in factory buildings. This charge seemed to be sustained, and the accusation was made that the pressure of politics was brought to bear in each building where the sprinkler was to be installed, at a cost of from one to ten thousand dollars each. It was within the power of the fire prevention bureau to endorse the use of the style of sprinkler, and this endorsement

virtually carried with it, compulsory use of certain sprinklers. In connection with this sprinkler item, it was charged that a group of fire insurance promoters were interested in the sprinklers which were indorsed by the fire prevention bureau.

There was a general mishandling of the city's funds in connection with the administration of the fire department, and one effort to spend several hundred thousand dollars for concrete fire houses was prevented by the disclosure that this experiment in public building would cost the city two hundred thousand dollars more than the use of brick in the construction of the buildings. The fire commissioner had requested bids on twenty-one new buildings of concrete style, but before the contracts were awarded, an injunction was served, and the plan was not carried out. There were only three bidders on concrete construction for the twenty-one new fire houses, though when the specifications were changed and brick construction provided, the number of bidders increased to fourteen. This proposed expenditure for concrete construction, as well as the expenditure of several hundred thousand dollars for new automatic self-propelling fire machines, were applauded in the newspapers as evidence of the "progressive management of the fire department." This "progressiveness" entailed the useless expenditure of vast sums of money, but so far as the newspapers were concerned, it merely meant the publication of an interesting item of news.

The facts as presented in the newspapers were usually compiled and prepared by petty departmental press agents who were drawing salaries from the city as "secretaries" or in other capacities, and these were presented in such light as to mislead the public as to the need for the expenditure. These items of news were supplied to the representatives of the daily press whose duty it was to gather departmental news and who were willing to accept whatever data was prepared for them in advance by these interested office holders. Just prior to the city's collapse, there was actually in the course of construction forty-five new buildings for the use of the fire department at a total cost of *three and a half million dollars*. During the preceding *fourteen years, less than that number of buildings was erected for the use of the fire department*. The extraordinary expenditure was announced to the public as a "great" municipal achievement.

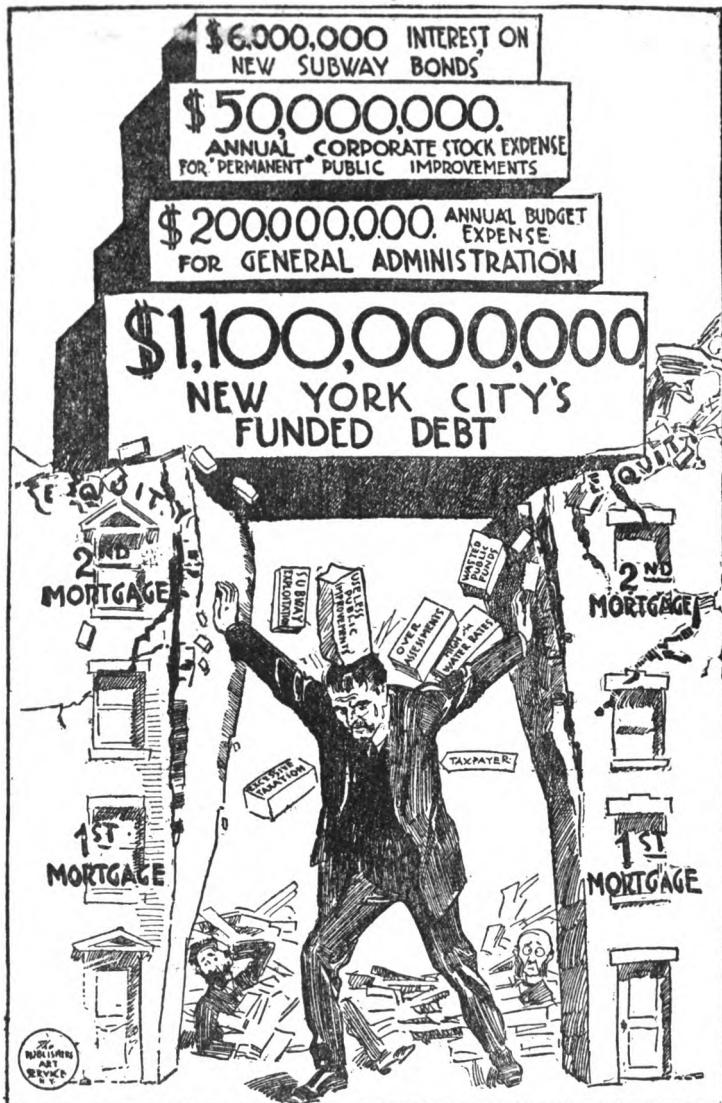
It was in connection with this effort to feed the public with news of a manufactured character that the head of the fire department exploited himself to the public in a dramatic way. He disclosed the fact that the city was overrun with "fire-bugs" who destroyed an average of four million dollars worth of property a year for the purpose of collecting insurance, and he announced that the fire department itself had obtained insurance to the amount of \$125,000 on property worth less than four dollars. This announcement was made with the instinct of a newspaper reporter whose methods were dramatic. It was controverted by the representatives of insurance companies, and the discussion which followed only aided the notoriety of the commissioner.

His report on "fire-bugs" was prepared in most attractive newspaper style. He also advertised the result of his investigation not only through the public print, but also through the medium of "fire-bug exhibit," where

all the implements of incendiaryism were displayed. Photographs of so-called fire-bugs were published in the fire commissioner's report, as were pictures of places that had been set on fire, effort being made to show the use of oil and other inflammable material. The achievement was worthy of the best effort of high-priced advertising, and *the result was commendable from that point of view as well as from the point of view of intimidating the professional fire-bug.*

*The whole purpose of city administration seemed to be the opportunity for self-exploitation by the heads of the various city departments, the success of the fire commissioner overshadowing that of other department heads. A mayoralty election was approaching and the fire commissioner's friends hoped that his success as advertised might win for him a higher reward. The result was disappointing, because the PEOPLE RECOGNIZED THAT THE TIME HAD ARRIVED FOR GENUINENESS IN PUBLIC OFFICE IN ORDER THAT THE CITY MIGHT BE RESTORED TO A PROPER FINANCIAL BALANCE.*

## The Taxpayer's Desperate Struggle to Save His Property



(The public should bear in mind that 96 per cent. of the city's annual expenditures is borne by the taxpayers; This includes the taxpayers who must pay their share of the landlords' burden.)

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## CHAPTER XIII

### THE CITY WAS ROBBED OF MILLIONS OF DOLLARS THROUGH THE ACQUISITION OF LAND FOR PUB- LIC USE—INNOCENT INVESTORS WERE VIC- TIMIZED BY LAND SPECULATORS

The city at the time of its collapse was wasting money in more ways than it was possible to tell. It had as already stated, squandered fully fifty million dollars in ten years on property purchased from private owners, for which the city had no immediate use. These purchases were made mainly because of the influence used to induce the city to acquire the property. It was shown at the time of the city's collapse, that the educational department alone held property for which it paid *fourteen million dollars and for which it had no use*. The parcels were purchased so that some influential citizen or politician might be able to reap profits. It is needless to recall the various details of these purchases, and the location of each parcel, because the practice in each case was the same.

As already told, the city paid millions of dollars for property acquired, for the approach to new bridges and millions more for the widening of streets through which the underground railroad runs. At the time of the city's failure, it was negotiating for the purchase of a block of waterfront from a ferry company which originally acquired it for only a nominal sum from the State. The price demanded was two million dollars. It had already paid millions of dollars in excessive awards for parcels of ground for park purposes and some of these parks were named after politicians who through their "dummies" made large profits by the sale of property to the city.

The city had paid millions of dollars for parcels of ground on which fire houses, police stations and other public buildings were erected, one of the most expensive sites being that occupied by the new municipal building. It paid millions of dollars for land in the new water shed, some of which was purchased at *ten times its actual value*. It was shown when some of these purchases were made, that the Mayor's political manager was interested in the ownership of some of this property, and it was also shown that his agents purchased large tracts of land along the line of the new aqueduct that brought the water from the new watershed to the city. The line of this aqueduct was shifted several miles from the location originally laid out by the city's engineers and the change was made after this politician's agents acquired most of the property along the new route. In spite of the disclosure the commissioners in condemnation appointed for political reasons at from fifty to one hundred dollars a day each and expenses, persisted in their awards and parcelled out the city's money with such lavishness that by the time the first section

of the watershed was finished, it was realized that the original estimate of cost, of one hundred and sixty-one millions of dollars, would be *exceeded* by twenty-five million dollars.

The waste of the city's money for the purchase of land for which the city had *no immediate use*, was about the same in every proceeding, where property was acquired, except that in some cases the waste was greater than in others, and the profits to insiders was relatively larger. For many years, this "condemnation graft" was one of the most fruitful sources of gain for political insiders and their friends at the expense of the city, and in the short space of a dozen years it netted a personal profit of four million dollars to one lawyer engaged in this work and a total profit of twenty-five million dollars to a small group of politicians and real estate speculators who soon blossomed into the class of "leading citizens." One of these successful condemnation lawyers afterwards became a judge on the city's criminal bench; another became a leader in society. Citizens other than lawyers, were made rich for life through these condemnation practices. It was only toward the end of the city's financial solvency that the enormous profits of condemnation were disclosed to the public when a young lawyer whose clients included most of the land speculators and influential politicians, over-reached himself in his greed for wealth. He was exposed in his cunning practices and disbarred. He had, however, accumulated several million dollars before he fell.

The sale of property through condemnation to the city was so profitable that even a school principal was tempted to engage in the practice. For many years this principal sold to the city parcels of property through persons who acted as "dummies," that is, agents who ostensibly "owned" the property for the purpose of the sale. When the disclosure of the exorbitant prices paid for some of the parcels was made during the last few years of the city's solvency, the principal's practices were fully exposed. It was then found that some of the "dummies" from whom the city purchased property were school teachers who were unaware that their names had been used. The principal was dismissed from his position and the result of his unworthy speculations was that in the end he was as poor as when he began.

Condemnation of property by the city furnished a harvest for a great many persons. In each case where property was condemned, commissioners were appointed to take testimony on the value of the land in question. These commissioners were paid from ten to one hundred dollars for each day on which they sat. In most cases these commissioners were selected for political or personal reasons. At one time an association of merchants investigated the cost of acquiring property for the city and discovered that in most cases the proceedings were so long drawn out that the *cost of acquiring the property sometimes exceeded the total awards. Only in rare cases were the awards on a par with the actual value of the property acquired. In most cases the awards were several times more than the actual value of the property.* The association of merchants estimated that in a series of proceedings extending over a period of ten years, where property was acquired to prevent the pollution of the city's water, the awards totalled two million, five hundred and sixty-seven thousand dollars and the *expense of the commissions which made these awards amounted to three million, three hundred thousand dollars.* It also dis-

covered that the commissioners who sat in these proceedings were selected mainly for political reasons.

A complete list of all the condemnation proceedings extending over ten years was compiled by this association and the exact cost determined in each case. It was easy to see when the list was compiled alphabetically, how many times each commissioner served in different proceedings, and how much he was paid. The disclosure was sufficient to convince the most partisan that the system under which these parcels of property was acquired, was ruinous to the city's interest.

A few years before the city's collapse, a report was compiled by the city's comptroller showing similar abuses by condemnation commissioners who were appointed in subsequent proceedings. The report showed the various adjourned meetings for which commissioners were paid from fifty to one hundred dollars each. In other words, the city paid each time one or two of the commissioners got together and postponed their work for the day. The report also showed *how the city paid two thousand six hundred dollars a lot for property that was assessed at forty-four dollars a lot*, and the total sum paid by the city at this rate was two hundred and forty-seven thousand dollars. This was in the proceeding by which the city acquired a tract of land along the waterfront at the mouth of a trunk sewer in an outlying borough, for bathing purposes. It goes without saying, that *the property was never used for that purpose because of its unhygienic location*.

This same city official also prepared a report for the Governor of the State and the legislature, in which he showed that *the city actually paid out thirteen million, five hundred and thirty-two thousand dollars in one year* for property acquired through condemnation, for street opening and park purposes and for other public uses. He also showed that most of this property was purchased without the possibility of immediate use and that *the city was obliged to pay hundreds of thousands of dollars annually in addition to the awards, as interest on these investments*. During that same year, the city acquired property for six million dollars through private purchases without condemnation, *the total sum spent that year by the city for private property, being twenty million dollars*.

In the case of an extension to the city's Drive, the commissioners reported an award of one million dollars. The city's financial officer considered the award excessive and moved for the appointment of new commissioners. The final report of the commission was reduced to six hundred thousand dollars, showing that the *actual waste of city funds in this particular case, would have been four hundred thousand dollars*. The property owners were satisfied with their award and it is reasonable to conclude that they derived a fair profit out of the six hundred thousand dollars which was finally paid.

Another illustration of how the city's money was squandered through condemnation was the report of the commission which recommended that one million dollars be paid for property acquired as the approach to a new bridge. The city's financial officer protested against the award and the property owners finally accepted a reduction of ten per cent., *saving the city one hundred thousand dollars*. The city's financial officer also at this time prepared a report showing how fees were paid to commissioners for services *which they did not*

**perform.** The report showed that the proceedings were extended far beyond a reasonable time and that the commissioners were credited with sittings in excess of their actual number.

The report also showed how the awards were fixed arbitrarily by the commissioners and that no expert knowledge of the value of property was displayed in the final appraisal. It showed that where the expert for the property owner swore that the property was valued at a given figure, and the city's experts appraised the value far below that figure, the commissioners usually *compromised the difference*, in fixing their award. The city's financial officer also showed that where property was acquired in the new watershed, the cost of these proceedings was not less than an average of *forty per cent. of the total award.*

The financial officer's report also showed that the land syndicates which acquired a large part of the watershed property in anticipation of its purchase by the city, actually succeeded in obtaining options on more than five thousand acres of land that the city was compelled to purchase. Many of these syndicates claimed damages for fancied rights on their property, such as the right of cutting ice on streams which they claimed to own, the right of fishing, the right of utilizing water for mill operations and numerous other rights which it was claimed were damaged or destroyed by the city and in return for which claims for excessive sums were made. These claims were so various that it is profitless to tell of the details. In each case, however, the city was obliged to defray the cost of experts, who testified in behalf of claimants, this expenditure being required under the act which authorized the city to acquire property for the new watershed. This same act made it mandatory for the city to spend *three-quarters of a million dollars for advertising the proposed condemnation proceeding in the newspapers. These papers were selected by the mayor and large commissions were paid to advertising agents who were influential with the city administration.*

The report of the city's financial officer showed that some of these newspapers received as much as fifty thousand dollars in the first three years of the condemnation proceedings, and that some of the weekly newspapers which had no circulation or standing, were patronized at the expense of the city to the extent of many thousands of dollars. It might be mentioned that the services of "experts" employed by the city in all condemnation proceedings, were expensive and the report compiled by the city's financial officer shows that in the space of three years, three of these "experts" received a total of one hundred and forty-five thousand dollars. During these three years the city employed at least one hundred so-called "experts" in land appraisals, and their services involved an expenditure of one million dollars. These experts were selected largely because of their political affiliation and in some cases they were obliged to divide their fees with their "backers."

Another phase of this condemnation matter which was disclosed to the public a few years before the city's collapse, was the practice of delaying the filing of assessments on property where improvements had been made at the expense of the people. These assessments were levied by the commissioners in condemnation who were also appointed as assessors, and their assessments

were submitted to the heads of the various boroughs who forwarded them to the Bureau of Assessors for confirmation.

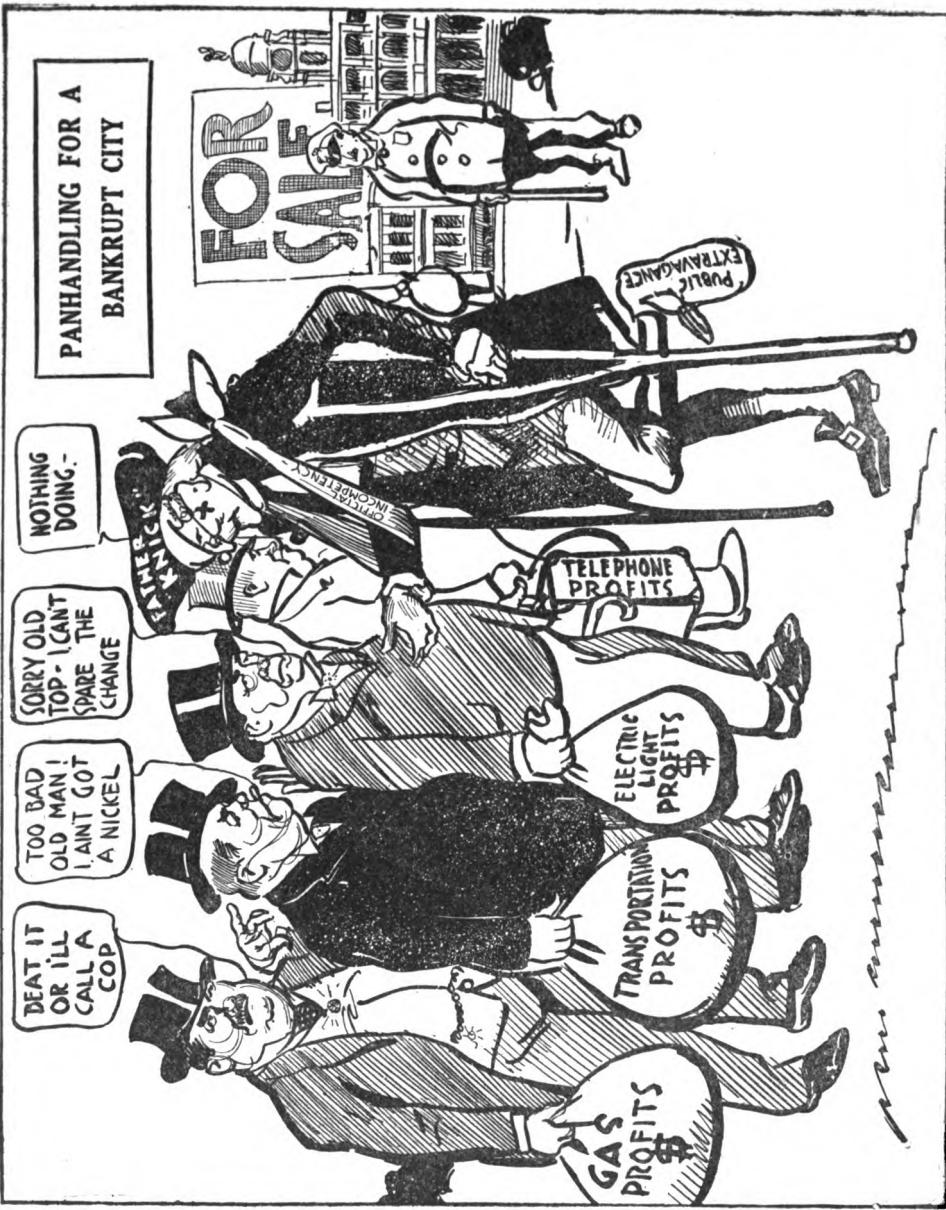
For years before the city's collapse, land speculators sold unimproved property in the outlaying parts of the city and sold them *presumably free and clear of assessments*. Most of those who purchased property from these developers were uninformed of the procedure involved in the opening of new streets and in the grading and paving of these streets. They purchased parcels in the belief that they were clear of all expenses beyond the price mentioned in the deed. No sooner were they the owners of record of these parcels, than they were informed by the tax office that assessments for various amounts were registered against their property. *These investors in this way learned that instead of having acquired their parcels free and clear for the sum mentioned in the deed, that they actually owed the city large sums for assessments which had been pending against the property for months and years.*

This practice was carried to such an extent that an investigation was finally begun and it was discovered that through the dishonesty of city employees responsible for the recording of these assessments, innocent investors were burdened with extra charges on their property. One of the city officials when questioned about this matter at this time said: "It is heartrending and wicked to see these poor property owners come here day after day to learn why they are assessed. They tell us they bought the property free and clear and exhibit a title guarantee policy to prove their claim. They did not know they were buying a debt with the property, and they break down and weep when they realize it."

The condemnation lawyer who was subsequently disbarred had reaped large profits for himself and land speculating clients through his success in delaying the filing and recording of these improvement assessments. This particular lawyer received a fee of twenty-five per cent. from his speculator clients for withholding the filing of these assessments, and he also prevented the city from collecting these assessments which it had paid in advance, by holding up their filing. *At one time the total sum outstanding which the city had laid out for improvements was twenty-five million dollars, not a dollar of which was collectable because assessments were unrecorded, this lawyer and others having contracted to earn large fees by delaying the recording.*

The city had also paid several million dollars in awards for damages alleged to have occurred through the change of grade of city streets because of bridge construction. An investigation disclosed that most of these alleged damages, on which large awards were claimed, were no damages at all, but were decided improvements to the property. Before the dishonesty of these claims was discovered large fees were obtained by condemnation lawyers because of their success in inducing the city's assessors to make the desired awards. The practice was sharply condemned by official investigating body after these alleged change of grade improvements was thoroughly investigated. It was discovered that here, as well as in regular condemnation proceedings, the city was damaged to the extent of many hundreds of thousands of dollars.

PANHANDLING FOR A  
BANKRUPT CITY



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UNIVERSITY OF  
CALIFORNIA

## CHAPTER XIV

### VAST FORTUNES WERE MADE OUT OF CITY FRANCHISES AND THE PEOPLE WERE GROSSLY OVER-CHARGED AND DEFRAUDED BY SWINDLING FINANCIAL OPERATIONS

At the time of the city's collapse, the largest private fortunes were owned by those who profited from public franchises. The city had portioned out all of its public rights to private individuals, and the climax of this dissipation of its franchise riches was reached just before the failure of the city was announced. The city's responsible officials had entered into a contract for the operation of its new underground railroad on terms that were ruinous to the city. Under the contract the city was to spend approximately one hundred and sixty-five million dollars for the construction of a new underground road, and the railroads were to provide about the same amount for equipment and to help construct this new road.

The operating terms were such that the invested private capital was first protected, and the city's interest was not considered until after a guaranteed profit of  $8\frac{3}{4}$  per cent. was provided to the operating company. This guarantee made the bonds issued by the financiers and sold to a syndicate of their own, of particular value, and the syndicate realized fifteen million dollars profit for themselves out of this financial transaction. At the same time, the operating company was exempt under the contract from paying a franchise tax on the subway property, every other public service corporation being obliged to pay the tax under the law. This exemption meant a matter of four million dollars each year to the company. The only theory on which the exemption was based was that the railroad was a municipal property. So far as the profits of the subway were concerned, its municipalization was in name only—the profits going to the financiers and the operating company. This, in a lesser degree, was the history of every municipal franchise, and the story of these franchises is the story of the growth of the fortunes of the city's most influential families.

In the beginning of the city's development, the principal fortunes were derived from the franchise for ferry operations. The city was small and the residents were clustered along the water front in the lower part. Traffic was heavier then across the river to the neighboring city, and ferry operation soon became profitable. These franchises were granted by the municipal assembly to those of political and public influence at the nominal rental of one thousand dollars a year. After a few years it was discovered that the profits of these franchises were so enormous that those who obtained them were soon numbered among the city's wealthiest families. The offer was then made to increase the city revenue from the operation of these ferries and the

agitation finally resulted in an increase in franchise rental. Instead of receiving one thousand dollars a year, the city derived an income of twenty thousand dollars, from some of the franchises.

As the city grew, its income from these ferry franchises increased to a total of a quarter of a million dollars a year and was approximately at that sum a few years before the city's financial collapse. The city had invested one hundred million dollars in the construction of new bridges, and with their operation, the holders of the ferry franchises claimed that ferry profits decreased. Their claim was so strongly urged, coupled with the threat that they would cease ferry operation, that the city was actually induced to subsidize one of the ferry companies at the rate of *one hundred and eighty thousand dollars a year*, while it took over the property of other ferry companies at *several times their actual value*. When the city became financially involved, it was operating one of the ferries at a deficit of one million dollars a year. During the sixty or seventy years of ferry operation it can be conservatively estimated that a total profit of at least one hundred million dollars was distributed among the fortunate shareholders of the ferry companies. The city's profit during that period was insignificant compared to this sum, and its losses on subsidized and municipalized ferry operation during the last few years of its solvency reduced this income of more than sixty years to virtually nothing.

Fortunes from ferry franchises alone, however, were insignificant compared to those reaped by financiers, politicians and other "leading citizens" from other city franchises. Prior to the construction of the underground railroad in the city, the overshadowing villainy of politics and finance was directly traceable to the manipulation of the city's street railways. The city had granted franchises for the operation of various surface car lines. The only motive power of these roads in the beginning was that of horse, but as the city's population grew and as traffic increased, other modes of locomotion were introduced. The cable system was installed to operate the cars along the city's principal thoroughfares, and with this installation began a most amazing series of public frauds and deceptions. In the first place, the franchise for the operation of this road through the city's principal thoroughfares was obtained from the municipal assembly through fraud and collusion, and the disclosure of the bribery of municipal assemblymen was one of the scandals that shocked the community. The bribery was pronounced and the bidding for the votes of the municipal assemblymen was almost committed openly, so bold were the seekers of the franchise.

After franchises had been issued for most of the surface railways, the plan was conceived to consolidate all the roads and operate them as one company. Authority for this combination was obtained on the pretext that the public would benefit through universal transfers and through economies in operation. A series of financial speculations followed this consolidation. *The capitalization of the consolidated roads was multiplied and stocks and bonds issued to the tune of a quarter of a billion dollars.* The manipulation was carried to such an extent that the market quotation of the stock of this overburdened financial bubble was two hundred and fifty dollars a share. *The public had been dragged into the speculation through newspaper misrepresentations.*

sentation, and when the pyramid had reached its highest point and could go no further, the bubble burst.

The public held the bag and it was found that the *principal manipulator of this financial coup owned less than two per cent. of the stock of the company. He was one of the city's "leading" citizens, directed the destinies of the political organizations of the city, dictated the selection of judges for the highest bench, and in general was of such financial and political power that he was able to conclude his swindling operations with worthless railroad securities without the slightest inconvenience.* The courts in fact aided the swindle, and when the consolidated company became bankrupt, the court conveniently broke up the consolidation and restored the company to its integral parts. *In this way, the net result of the entire manipulation was that the public was robbed of several hundred million dollars through stock manipulation and the city was defrauded out of a large part of its income from its franchise.* The return to the city treasury from the profits of this franchise should have provided sufficient to pay a large part of the administrative cost of government. The only result from the operation of these street railway franchises was, beside the wholesale plunder of the people, the enrichment of those financeers and politicians who were influential enough to secure the franchise favors. *Not only did this leading railway operator profit personally to the extent of fifty million dollars (leaving twenty-five million at the time of his death), but the financial group interested with him benefited to the extent of many millions besides.*

The details of this gigantic swindle were well known to the people for several years before the city's financial disaster, the bankruptcy of the consolidated company having occasioned considerable hardship among them. Not only did they lose their small savings which they had invested in the securities of this railway consolidation, but they were compelled, after the consolidated company was disintegrated, to pay double and triple fares to ride from one part of the city to another. In order to successfully weave their crooked financial fabric, it was necessary that such crimes as the falsification of the company's books, the bribery of court witnesses, and the perpetration of other crimes equally as flagrant be overlooked by those in responsible public authority. It was necessary, for instance, that the city's prosecuting attorney be won over by the stock manipulators so that the books could be falsified and perjury suborned without retributive punishment.

When the details of these crimes were disclosed about the time of the railway's bankruptcy, the prosecuting attorney was found to be of a friendly nature. *The railroad through its agents had succeeded in punishing attorneys who had the temerity to sue on behalf of clients injured by its cars.* It actually succeeded in disbarring some of these attorneys by subornation of witnesses. It was not until the friendly prosecuting attorney left office, that the full details of the company's crimes were made known, but the crimes by this time were outlawed under the statute and could not be prosecuted.

Such in brief is the story of the wrong inflicted on the people of the Great City through the abandonment of the city's franchises to private individuals for their own profit. The same story of the city's financial injury

to the profit of those influential citizens to which it awarded its public franchises, is true in connection with other public utilities, such as gas, electric light and telephone. At the time of the city's financial collapse it was actually paying five million dollars a year to the lighting trust, created on city franchises for the construction of underground conduits and the laying of gas mains. The electric combination was formed a score of years before the city's bankruptcy and was based on the right extended to a small company to lay conduits for the reception of electric wires. Under the terms of the franchises, the city was to derive all the profits, after ten per cent. was paid on the stock of the conduit company, but up to the time of the city's insolvency it had actually received *not one dollar* under this contract. The city had proven at the time of its solvency that it had been defrauded out of three million, two hundred thousand dollars, and it also claimed that the total sum due under this franchise *was approximately fifteen million dollars*, the profits of the company having greatly exceeded ten per cent. since the franchise was issued. *These profits were concealed through false bookkeeping*, but in spite of this fact, the city was able to prove an actual fraud of the sum mentioned.

At the time of the city's collapse, the electric light companies were capitalized at a total of one hundred and fifty million dollars, of which fifty million dollars was water; that is, the capital on which dividends were paid, was inflated that amount. The profits of these electric franchises were so enormous that the companies were finally acquired *by the richest man in the world who had monopolized the gas and oil works of various communities*. He obtained control not only of electric companies, but also of the gas companies and of the city's elevated railroad system. It was through this elevated system that other large profits were made, and until the time that a franchise tax was created by the state legislature, the profits of this elevated system went *exclusively* to those who controlled the franchise. This franchise was granted for a term of 999 years, and when the first underground railroad was built in the city, a guarantee of seven per cent. income was extended to the owners of the elevated railroad company. The underground railroad was consolidated with the elevated system, and together they produced *large revenue for private individuals*.

The gas and electric companies were controlled by the same financial interests at the time the city became bankrupt. The gas companies had been acquired by the *world's richest man* many years before the city's safety became imperilled. The history of the franchises of these companies is of the same general character as that of the street railway companies, the city's return being merely nominal, the profits going almost entirely to those to whom the franchises were granted. Under these franchises, the gas companies supplied an inferior quality of gas to the general public at prices greatly in excess of what they should have been. The inferior quality of gas resulted in the "accidental" death in winter of many poor persons who were poisoned by the carbon-oxide in the gas, which was overcharged with water, and which extinguished itself when pressure in the gas pipes was withdrawn. The public was compelled to pay as much as \$2.50 a thousand cubic feet of gas up to within ten years of the city's bankruptcy. The rate was eighty cents per thousand cubic feet at the time the city became financially involved, the re-

duction having been *compelled* by legislative act following the discovery that the cost of manufacturing and distributing gas was far less than claimed by the company whose capital had been vastly inflated to conceal actual profits.

The same story of franchise wealth and city impoverishment is obtained from the telephone company which enjoyed exclusive conduit franchise privileges for many years. The people were charged lofty prices for telephone service, the profits of the company being enormous. It was charged, prior to the city's bankruptcy, that a total of twenty million dollars was due the city under the terms of the telephone franchise. This franchise was awarded at the same time that the electric light privilege was granted and under the same general terms; that the city's income should be *all* over a profit of ten per cent. As in the case of the electric light companies, the accountings to the city were false and no profit accrued except to the holders of telephone stock. *The public, however, was compelled to pay several times more than the rate in other cities for telephone service.* The rate was graduated from eight cents a call in a local zone to three cents a call on an extensive contract, the rate out of town being higher. *In most other cities a flat rate was paid for continuous service, no charge being made for individual calls.* In these cities, calls could be made from any telephone station within the city limits *without extra charge, the annual rate covering the entire service.*

NO SUCH ARRANGEMENT WAS POSSIBLE IN THE GREAT CITY UNDER THE CONDITIONS OF FINANCIAL AND POLITICAL CONTROL THAT EXISTED FOR SO MANY YEARS, THE DEMAND FOR SUCH AN ARRANGEMENT HAVING GROWN INCESSANTLY. THE DEMAND, HOWEVER, WAS NOT ACCEDED TO, IN SPITE OF THE FACT THAT IT WAS UNIVERSALLY KNOWN THAT THE PROFITS FROM TELEPHONE OPERATION WERE ENORMOUS, EXCEEDING TEN MILLION DOLLARS A YEAR FOR THE FORTUNATE STOCKHOLDERS OF THE TELEPHONE COMPANY. THESE PROFITS WERE BASED SOLELY ON THE FRANCHISE PRIVILEGE EXTENDED BY THE CITY, THE PUBLIC GETTING NOTHING EXCEPT THE FRANCHISE TAX IMPOSED DURING THE LAST TEN YEARS OF THE CITY'S SOLVENCY. THIS FRANCHISE TAX WAS OFFSET BY THE PAYMENT OF A QUARTER OF A MILLION DOLLARS A YEAR FOR TELEPHONE SERVICE IN PUBLIC OFFICES, THIS SERVICE BEING FURNISHED GRATIS IN EVERY OTHER CITY OF SIZE IN THE WORLD.

# ONE BILLION DOLLARS OF REAL ESTATE MAR. 14 FOR SALE, UNDER ASSESSED VALUE 1913

**NEW YORK CITY MUST RECOVER THE  
PROFITS ON PUBLIC FRANCHISES IN ORDER  
TO RESTORE THE VALUE OF REAL ESTATE**

### **An Open Letter by the Publisher of This Newspaper**

To the members of the City Economy League and to all taxpayers and non-taxpayers not represented in this organization.

**NEW YORK CITY'S GAS AND ELECTRIC LIGHT BILLS INCREASED**

**The City Pays the Gas and Electric Light Companies \$5,000,  
888 a Year—Electric Light Bills Have Increased 43%  
in Spite of the Fact That About Nine-tenths of City Streets  
Are Illuminated by Gas.**

APRIL 25  
NOT ANOTHER DOLLAR OF CORPORATE STOCK BONDS SHOULD BE ISSUED BY THE CITY

**CITY'S BONDS FOR SUBWAY AND WATER TOTALLING \$190,000,000,  
CANNOT BE SOLD UNDER PRESENT FINANCIAL CONDITIONS**

**CANNOT BE SOLD UNDER PRESENT FINANCIAL CONDITIONS**

...and are needed in the field. Demand efforts with the side I tag. There are too many more to be found, and in the form of

**BONDS SHOULD BE ISSUED BY THE CITY OF NF**  
This committee has been trying to make things right for the people of Northfield.

From the city's debt accumulation, it is trying to start slow. BURST is reduced. City is trying to increase revenue through property and local water supply. Under a two-pointed plan, the City of Indianapolis will not be able to increase its bond for another year or for other purposes during the next four years.

TURDAY, JUNE 14, 1913

— enabled to issue NOTES in consequence of a general bond issue.

The amount spent at least \$10,000,000 at the time of subscription under the dual currency plan. It is intended

Has the Bread of the Financial King

HOW WILL NEW YORK BE SOLD TO THE WORLD?

BE FINANCED FOR THE  
REAL ESTATE SECURITIES FIRM  
IN THE STATE OF NEW YORK

NEXT FIVE YEARS? **TO THE REEKS AT NEW YORK!** The enormous amount of traffic in the city makes the new **Subway** the only answer to the problem.

**Emergency Stock Emergency Total \$100,000,000 and the City's** **Industry Inspectors It Is Authorized by the State of N. Y. to Maintain**

Bankruptcy Suspending Mortgage by \$11,000,000  
Krebs, Armentrout Company to be Acquired and Bobb Mortg  
and Wright, Louis & Co. for the city's bid for \$100,000,000 at P.A.C. The city would, in effect,

the present, be expanded, until new resources are opened up.

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**What the Author of this Book Said of the Financial Condition  
of New York City in KLEIN'S WEEKLY NEWS**

## CHAPTER XV

### THE CITY'S MILLIONS WERE WASTED AND ITS DEPENDENTS IMPROPERLY TREATED IN THE HOSPITAL, CHARITIES, AND CORRECTIONAL DEPARTMENTS

The city provided generously for its sick, for those in charitable want, and it also spent liberally for the correctional needs of its people. Its appropriation for these purposes for the year preceding the city's insolvency was more than eight million dollars, half of which was for the purposes of public charity. These appropriations were solely for administrative expense, and did not include expenditures for new hospitals, new correctional institutions and for quarters for the city's dependent poor under the jurisdiction of the Department of Charities.

The city spent an average of three million dollars a year for these extra purposes, the total expenditures of the three departments being approximately eleven million dollars a year. The city had charitable institutions in all boroughs; it had a farm colony for dependent poor and it was spending four million dollars for a new retreat for tuberculosis patients. This hospital was to accommodate one thousand patients, at an average cost of four thousand dollars for each patient. This was more than twice the average cost per bed in a similar institution conducted by the city, and the disclosure of the lavishness of this institution was followed by a modification of the plans for its construction. It was designed to cover several acres of ground and to be composed of a dozen buildings constructed of granite and marble to occupy the most exclusive section in the city's Island Borough. This sumptuous retreat was solely for the city's tuberculosis patients, and it was nearing completion when the city became bankrupt. The contract for construction was awarded to a favored contractor and all expenditures were made by the architect specially selected for this undertaking. At the rate the city was providing for its consumptives in this institution, the total cost for the accommodations of the city's tuberculosis victims in the city would have approximated fifty million dollars.

There were many hundreds of employees on the payrolls of the Charities Department, many of whom were only rated as orderlies, with small pay, while others were classed in higher grades. There were more employees in this department than in any other branch of the city's service with the exception of the police and fire departments, and the control of the department was a valuable asset to politics. In all, about four thousand names were carried on the city's payroll in this department, which had jurisdiction over several hospitals as well as institutions of different character providing for the needs of city dependents.

The control of the city's lodging house was also lodged with the charities department, which had more direct contact with the city's poor than any other administrative bureau. Contracts for the provision of various city institutions under the jurisdiction of this department were let each year by the head of the departments, and on more than one occasion it was found that the city paid unwarranted prices for some of the foodstuffs provided. It is needless to recall the specific details of extravagance in this direction, because they are on a par with those of the city's hospital department, which will be told later. The waste of city funds for these expenditures in both departments is about the same.

In the charities department there is a bureau for dependent children which has jurisdiction over funds provided by the courts in abandonment cases. This bureau also had jurisdiction over children abandoned by their parents, and under the law the parent must support these children. A few years before the city's collapse, an investigation of the accounts of this department was made, and a shortage of sixty-four thousand dollars was found, covering a period of three years. Receipts for only fifteen thousand dollars were found where the total funds of the bureau were twenty-nine thousand dollars, no balance being discovered. It was also shown that this bureau had spent money supposedly for the relief of persons in distress, and that in but a single instance was a report made of the needs of the person who received assistance. No investigation was made in all the other cases where money was paid out through this bureau.

The city also spent about five million dollars a year for dependent charity in private institutions. This money was distributed by the city's finance department under general supervision of the head of the charities department. A few years prior to the city's collapse, the city's financial officer charged that the money was distributed to sectarian institutions without proper accounting, and it was also charged that the city's funds thus provided to these institutions were improperly used. The funds, however, were still being spent in the same manner, when the bankruptcy of the city was announced. The city's inmates in private institutions numbered 25,000.

There were frequent complaints of the mistreatment of patients in the city's charitable institutions, and of the inferior quality of food provided. These complaints were investigated from time to time and substantiated, but little improvement resulted. Those accused were always able to shift the burden of blame or deny responsibility, and the complaints were usually ignored.

The city had under the jurisdiction of its hospital department at least a dozen institutions scattered throughout the city, which received approximately three million dollars a year for maintenance. This was also in addition to the construction cost of buildings under the jurisdiction of this department, the average expenditure for this purpose being approximately two million dollars a year. At the time of the city's collapse, it was erecting a new hospital to occupy two square blocks, and to exceed in size any similar institution in the world. The cost of this new construction was estimated at twelve million dollars, and it was only partly completed when the bankruptcy occurred.

There was gross mismanagement in the affairs of this department from the viewpoint of the city's interest. Contracts for various hospital buildings were let, but only in rare instances did the contractors comply with the terms of their contract. The city had under construction a wing of one of its hospitals, which was undertaken eight years before the city's failure. The contractor was five hundred and eighty days over the specified time in which the building was to have been finished. The penalty for each day's delay was fifty dollars. No penalty was ever exacted, and the construction work lagged in an unconscionable manner. Another contract was four hundred and fifty overdue, and still another contract for two pavilions of the new hospital was a full year overdo. There was a penalty for each day's delay under each of these contracts, but in neither of them was the penalty enforced, in spite of the fact that the city's architect protested that the contractor's delay was unwarranted.

This was the general story of the construction of the various hospital buildings, and though the city never prosecuted the contractor for penalties for delay under its contracts, the city was usually sued by contractors when the delay was caused by the city's own officials. All these hospital structures were erected at large cost, the average for each contract being about four hundred thousand dollars.

In supplying the hospital patients with nourishment, the city was grossly overcharged by the contractors, who supplied inferior grades of foodstuffs and meat. The contract for the furnishing of lamb at the city's hospitals a few years before the city's failure is typical of how the city was treated by the food contractors in this department and in the department of public charities. One-eighth of the meat provided was fat and was paid for at the rate per pound of meat. This fat, of course, made a deficiency in the total amount provided, and caused a shortage in this particular meat in the hospitals.

The city also bought from private ice dealers and was cheated on each pound of ice supplied. A test made by the city's investigating body, a few years before the city's bankruptcy, showed that the shortage of ice for which the city was charged was as much as twenty pounds on a single cake of ice, weighing a hundred pounds. The ice was stored in a warm cellar where steam pipes passed and where the meltage was nearly fifty per cent. a day. The hospital also purchased artificial ice and the shortage in deliveries was on a par with that of natural ice. Ice delivered to the male training school for nurses was found to be fifty per cent. short in weight, and that delivered at the hospital, supposedly in cakes weighing three hundred and twenty pounds each, were forty pounds short. The daily shortage of ice delivered to the female training school was nine hundred dollars, or one-third of the entire order.

The hospital bureau of the city was also allowed half a million dollars for the purchase of supplies each year, and an investigation showed that supplies were purchased not for the interest of the hospitals, but for the purpose of providing profits to favorite outsiders. One woman who was credited with being a soap manufacturer was paid six cents a pound for a certain brand of soap which was sold to private individuals for four cents a pound.

The hospital department also paid six and three-quarter cents a quart for milk which was supplied to private hospitals at four and three-quarter cents. The specifications of the milk contract called for four per cent. butter and twelve and a half per cent. solids in the milk, which provided a nutritive grade of fluid. The city's investigating body which tested the quality of the milk found it of inferior grade and not within the specifications of the contract. This quality of milk, however, had been accepted by the hospital division for many years. The city was overcharged from one and a half cents to two cents on every quart of milk supplied to the hospitals, the total supply being 750,000 quarts a year. The better grade of milk delivered to the hospitals was used by the hospital employees, the inferior quality being supplied to patients who were supposed to exist on milk diets.

An operating table used by the hospital sold to private individuals for \$166, cost the hospitals \$180. An observation stand for patients purchased by one of the hospitals was accepted larger than required and the city paid for rebuilding the instrument for use. The city's investigators also found that in the purchase of rolls and bread for the hospital patients, the city was overcharged \$2,225 in one year.

The city was overcharged on coal, payment being made on a tonnage basis instead of on a basis of thermal unit or on the basis of heat produced. Defects in the hospital plant made it necessary to use twice the amount of coal that would have been used in a well equipped engineroom.

The cost of fodder for horses was above that charged to private individuals and in the purchase of ambulances the city was also overcharged. Private hospitals purchased the same ambulances for which the city paid \$700 at fifty dollars less, and in two years it was discovered the city paid \$6,100 for repairs to sixteen ambulances, which was more than 53 per cent. of the *total cost* of these vehicles. A private hospital during the same period paid seventy dollars for the repair of two ambulances.

The number of employees in the hospital division was almost as large as that of the charities division, and an investigation of the character of the orderlies and laboring force in the various institutions was found to be of a low grade. The laboring force was changed continuously, half of them being replaced each month. The per capita cost of patients in the various city hospitals was from \$1.60 to \$1.83 a day, while the report made by the head of the various hospital institutions gave the figure as \$1.41 to \$1.58 a day. The number of patients in the hospital report was misleading, and it was also discovered that some patients were kept for months in the institutions in order that they might be provided with comfortable living at the expense of the city.

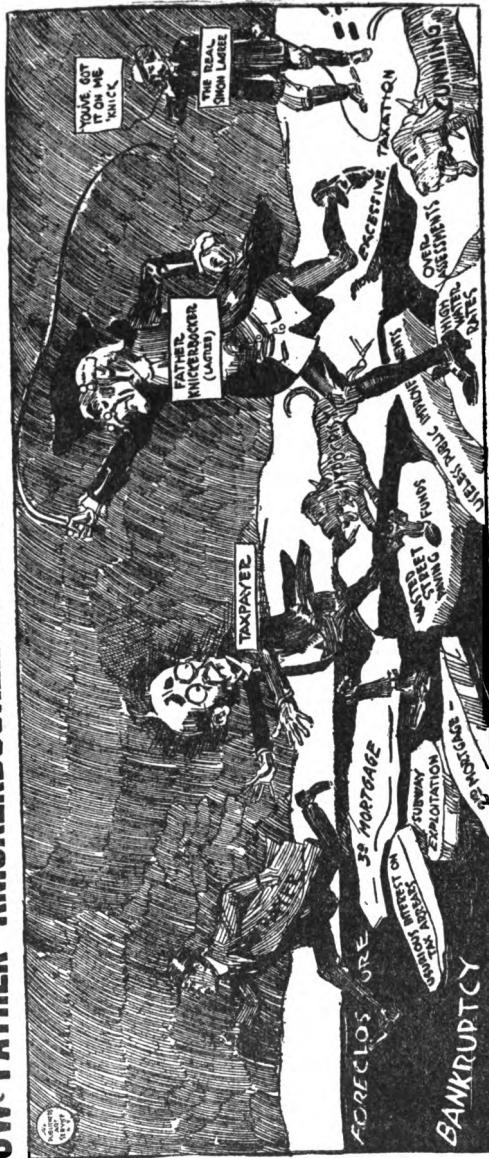
A few years before the city's failure, the proposition was advanced that a farm be selected for the erection of a home for the city's inebriates. This proposition was taken up by the Mayor, who expressed a sympathetic feeling toward those of weak character, and a board was actually appointed to select a site for an inebriate farm colony. Various sites were authorized and the city finally selected a tract of five hundred acres outside the city limits. The farm cost the city a quarter of a million dollars and the institution was but slightly used after it was established. *In fact the average cost of patients in the institution based on the cost of maintenance and the interest*

*charge on the investment, was about five thousand dollars a year for each patient.*

The city's money was wasted in these and in other ways in these two branches of the city government, and it was also wasted in about the same proportion in the city's correctional department. This department had jurisdiction over the city prisons, and when the city became financially embarrassed, work was stopped and the correctional institution erected on a small island in the river, at a cost of \$1,200,000. The head of the correctional department was also anxious to begin the construction of a two-million-dollar structure on another small island belonging to the city, also for correctional purposes, and he also requested three-quarters of a million dollars to construct a building for a woman's court and jail.

It was through the control of this correctional department that political influence was exerted to aid lawbreakers under detention for criminal offenses. The keepers in the various correctional institutions were political appointees and through them those confined in the institutions were comforted. Contracts awarded through this department were extended as favors to influential politicians and their representatives, and the plumbing work of the department was done without competitive bidding by the representative of a powerful political organization. The purchase of provisions by this department was conducted on about the same basis as that of the hospital and charities departments and the loss to the city was relatively the same. *In all, the city was loser to the extent of several million dollars a year through these three departments, their mismanagement continuing until the final ruin of the city.*

## HOW FATHER KNICKERBOCKER IS DRIVING THE TAXPAYER TO RUIN



1990 with TWA's City Center Terminal in New York City.

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## CHAPTER XVI

### EDUCATION IN THE PUBLIC SCHOOLS WAS MISDIRECTED AND MILLIONS OF DOLLARS WERE WASTED BY "BUREAUCRATIC SCHOOL GOVERNMENT"

"What ails the schools?" is the question that was asked for several years prior to the city's financial collapse because of the vast sums of money spent annually on the school system and because of the unsatisfactory results so far as the intelligence and understanding of the children were concerned. During the years when the annual appropriation for school purposes exceeded thirty million dollars, parents complained continually that the advantages of the school were in no way commensurate with the amount of money expended, and raised by taxation. Children were no longer equipped in the fundamentals of a common school education and they seemed to lack the concentration of pupils of previous years.

The year preceding the city's collapse the appropriation for public school purposes was thirty-nine million dollars, in addition to which the city spent about five million dollars for new school-houses. The entire cost of the school equipment, including land, buildings and furnishings, was estimated at one hundred and forty million dollars at the time the city became bankrupt. The city had acquired parcels of ground in various districts for school purposes, but so rashly were the sites selected that at the time of the city's failure the Department of Education held *fourteen million dollars of vacant real estate for which it had no use, the property being located in places where school buildings could not be serviceable and where need for them did not exist.* These parcels were acquired from various persons who owned them and *who, largely through influence or friendship, or other more potent reason, were able to dispose of them to the city at prices in excess of their real value.*

For many years the number of schoolchildren who were taught on "part time," that is, who attended school half day instead of during morning and afternoon, grew until the city's insolvency was announced. At that time more than eighty thousand children or one-ninth of the entire school attendance were part-time pupils. This part-time system was severely condemned during the years in which their number grew, and it was under the pretext of providing "a seat for every child in school" that the city's money was appropriated in bulk to the Educational Department for *building* purposes. It was this lavishness of appropriation that resulted in the acquisition of school sites to the amount of fourteen million dollars that were *unavailable for school use.*

The annual appropriation for the educational department was about one-

fourth of the entire sum devoted to city administration. At the time of the city's collapse the schools were attended by more than seven hundred thousand pupils (the per capita cost of education being about fifty dollars a year), and this number was continually increased just like the number of school buildings because members of the Board of Education were insistent in their demand of "a seat for every child." This slogan was used to extract large sums of money for educational purposes so-called, under the spur of which new phases of "education" were constantly introduced at large cost to the taxpayers. Children were taught subjects in which they had no interest and which operated against their understanding of the elemental subjects of reading, writing and arithmetic. It was charged that children who graduated from the elementary schools were deficient in the use of the English language and the knowledge of arithmetic, geography and history, but that they knew something of dancing, of foreign history, of nature study and of elementary physical science.

During the last ten years of the city's solvency, when the budgets for school purposes continually increased, the schools were presided over by a superintendent and twenty-three associates who were responsible for school administration in as many school districts. Each school was in charge of a principal or of two principals, who complained that their time was mostly occupied in preparing voluminous statistics for the superintendent and that they had no time and were not permitted to exercise their own discretion with regard to the course of school studies. During this period of more than ten years a terror had grown up among young women graduating from the city college into the ranks of pedagogues in the public schools, because of the severity of the technical examination. Each prospective teacher was made to understand that the course of teaching was all mapped out for her, that no initiative was required and that strict adherence to the course mapped out was imperative. As a result of this discipline, initiative was finally banished from the public schools. The school course was lengthened two years, and the result was that the over-age pupils in the schools numbered about one hundred and sixty thousand at the time of the city's failure. The arbitrariness of the school superintendent was claimed to be responsible for this backwardness in the pupils because of the numerous special studies added to the school curriculum. These were termed "fads and fancies" and were strongly objected to by the parents of school children, who charged that the minds of the pupils were improperly developed.

The Board of Education was an organization by itself with power conferred by the legislature. Though the city appropriated the money for the administration of the schools, the city's officials were not clothed with the authority of control over the school expenditures, the board itself having sole supervision. This was brought about through a campaign of misrepresentation several years before the city's failure which resulted in the enactment of a law placing control of the school system solely in the hands of the school superintendents. This superintendent body was dominated by the chief superintendent, who, as previously stated, was domineering in his management of the schools. The campaign also resulted in the control of expenditures of the Department of Education for new buildings and for supplies by the school board independent of the city's governing body. Under

the act creating this self-constituted school system the superintendent of schools was made chairman of the Board of Examiners which conducts examinations for the licensing of teachers and it lodged authority with the chief superintendent for the renewal or discontinuance of these teachers' licenses.

It also made the chief superintendent chairman of the Board of Superintendents which nominates teachers for appointments, promotions and transfers, and it also lodged power with the chief superintendent to assign deputy superintendents to any district he chose, making it possible for him to humiliate or exalt any of them. The control was also lodged with the chief superintendent for the licensing of principals *after they had been selected*, placing what amounts to a veto power in the hands of the chief superintendent over the selection. The chief superintendent also was clothed with the authority to dismiss clerks, stenographers and other employees in the office of the various district superintendents, and he was also empowered to prepare all blank forms for report submitted by the various district superintendents. He was given the power to select truant officers and to enforce the compulsory education law, and also to direct the management of all truant schools and training schools for teachers. He is also a member of the Board of Superintendents which retires school teachers on pensions and he alone can recommend the retirement. Altogether, the powers of the superintendent were dictatorial, and it was during this period when he reigned supreme, *that the educational system was overloaded to such an extent that its efficiency diminished and the usefulness of school teachers depreciated coincident with the increase of expenditures for teaching, for new buildings and for school equipment.*

Under the demand of "a seat for every child," the public money was lavished on new buildings, and it was not until the final collapse of the city that it was realized that part time in the schools during the first three years was an *advantage* over the full school day. Children under eight years of age, it was agreed, were not mentally or physically strong enough to be subjected to full day sessions. It was then realized that school-houses were erected and new plots acquired under a false impulse. The Education Department was anxious to dispose of its unused vacant land, but under the law the city was obliged to retain every parcel of property acquired.

The over-centralization of authority in the hands of the chief superintendent deprived the various principals and district superintendents of whatever initiative they possessed, and the autocracy of the chief superintendent made it advisable that no suggestions looking to improve the school method be offered. Such was the supreme authority lodged with the chief superintendent, that he even dominated the school board in the selection of sites for new schools, and that both the district superintendents and principals submerged their own educational convictions for those of the chief superintendent. The demand of the Board of Education for increased budget annually was climaxed a few years before the city's collapse, by the increase of several million dollars in the budget to "equalize" the salaries of men and women teachers. The women had gone to the legislature, and through astute and persistent agitation induced the legislature to enact a law bringing the pay of the women on a par with that of the men. This act resulted in increasing the school budget about three million dollars a year, and added several points to the annual tax

rate. In return for the services rendered by their chief agitator for "equal pay," the women teachers contributed a fund of a hundred thousand dollars for the expenses of the equal pay campaign and for a gift to the campaign manager. This young woman was awarded a bonus of many thousands of dollars for her successful labor.

Toward the end of the period of the city's solvency various investigations of the school system and management were conducted. The question of part time was taken up as a separate subject for investigation, and a report was prepared condemning the practice of teaching children only two or three hours a day in the public schools. This condemnation, however, in no way affected the practice, which was continued because of the lack of class room and because of the general acceptance of the belief that children of tender age were over-strained by staying more than a few hours a day in school. *The mayor of the city himself, just prior to the city's failure, declared the school system was entirely wrong. He said that children were taught too many subjects, too little of each, and that their heads were jammed with superficial knowledge and with no accurate information. He said they were over-educated on unessential matters and under-educated on essential things.*

Another phase of the investigation of the school board had to do with the purchase of buildings and school sites; another inquired into expenditure of city money through the school board for supplies. Another phase was devoted to defects in the educational system, most of which were pointed out in brief by the mayor and by other persons acquainted with the superficial character of the school course. Another phase of the investigation was devoted to the general character of the school buildings from the point of view of their safety in case of fire and the reconstruction of several of the buildings was recommended. The committee also reported that in few buildings was there a proper ventilating system and that most of them lacked adequate fire protection. Another report treated of the general method of instructions in the schools, and this was severely condemned by an expert who had spent months studying the school course and the manner in which it was imposed on the pupils. The reports charged that the "arm of education was paralyzed" because of the "bureaucratic" system in the public schools.

*All this school inefficiency, it was pointed out, was responsible for the lack of coordination in the operation of the school system and also in the overloading of the curriculum to the injury of the pupils. The quality of teaching in the public schools was condemned because of the lack of initiative among teachers.*

The Board of Education engaged janitors of the various schools and paid them a lump sum of money out of which they were expected to hire subordinate help to keep the schools properly cleaned. This method of placing responsibility on school janitors for the proper maintenance and care of school buildings was criticized in one of the reports which charged that in one year 206 firemen were employed for a total of 2,274 months of labor. The report declared that only 153 firemen were needed, and that a saving of \$15,000 could have been effected in one year. In some instances janitors were paid as high as ten thousand dollars a year and in turn they paid their subordinates so meagerly that most of the money paid by the school board for proper

janitorial services was retained by the janitor himself, the service in the schools being neglected.

There was frequent complaint of course in connection with the repair of school buildings and one contractor charged that his bill for \$2,200 for school repair was "held up," until he paid six hundred dollars commission to an inspector of the building bureau of the school department. This same inspector, it was charged, had received one thousand dollars from another contractor who built a new school for the city. It was charged that other inspectors had also been paid for their "friendly services" in passing school buildings as being properly constructed when they were defective.

The city purchased a farm of 107 acres for a parental school in an out-lying borough within a few miles of another farm of about the same acreage which was owned by the city as a training ground for horses. There was no immediate need for this parcel of property for the educational department, but this was only another illustration of how the city's money was wasted for so-called public need. The schools were controlled as in an iron grip by those who were at the head of the system, and each step for reform in the method of teaching and of the school curriculum, as well as in the business administration, was resisted and constantly opposed. The control of the school board was at all times a point of political contention, and during the administration just prior to the city's collapse the forces representing the mayor secured control. This came toward the end of a period of stormy efforts to capture the board membership by the mayor. *It was charged that the board was an arrogant body and that it, as well as the chief superintendent of schools, was responsible for the misdirection of the school system.*

As a result of the steady increase in school appropriations and in the continuous demand for more funds, the taxpayers were roused to an interest in school affairs and the conclusion of the various investigations left them fairly well informed on school matters. *The determination was reached to extend the part-time course to all children during the first three years of the school period in order that the cost of the administration would be reduced and the health of the children benefited. This economy, however, was not proposed until the inevitable failure of the city was at hand and its purpose was not carried out.*

# HOW THE CITY CAN RECOVER THE ELECTRIC AND TELEPHONE CONDUIT FRANCHISES AND MAKE MILLIONS FOR THE PEOPLE

**City Has Established a Fraud of \$3,200,000 Against the Electric Conduit Company and Claims Millions More—Similar Claims are Made Against the Telephone Conduit Company—The City Can Revoke the Franchise of Both Companies Under the Terms of the Contract and Destroy the Telephone and Electric Monopolies.**

New York City can at once begin to recover the value of its most important franchises in order to help pay off the vast burden of accumulated debts.

Some of them were built by John D. Crummins, and it was not until June 27, 1906, that affirmative steps were taken to determine the issue of the suit.

The services of this newspaper are dedicated to the people of New York for the purpose of this paper is to reduce the cost of city government.

FRIDAY, APRIL 18, 1913

## CITY PROFITS FROM PUBLIC FINANCES WOULD REDUCE THE CITY'S DEBT

The services of this newspaper are dedicated to the people of New York for the purpose of this paper is to reduce the cost of city government.

118

company. The company filed its answer on December 17, 1903, and it was not until June 27, 1906, that affirmative steps were taken to determine the issue of the suit.

Some of them were built by John D. Crummins, and it was not until June 27, 1906, that affirmative steps were taken to determine the issue of the suit.

NEW YORK, SATURDAY, JULY 19, 1913

## CITY'S GIFT OF UNTOLD MILLIONS REVEALED BY PRESIDENT SHORTS OF THE INTERBORO RAILROAD

Comptroller Prendergast and the corporate stock committee of the Board of Estimate, is preparing to issue another large block of corporate bonds. The exact amount has not been disclosed by the Comptroller, but it is expected to be between sixty and seventy-five million dollars.

The sale of these securities backed by the assets of the entire city, will increase the outstanding bonded indebtedness of the city by whatever amount is issued, and the people of New York will be compelled to pay interest for fifty years on this additional sum.

The city's outstanding bonded indebtedness on which interest is paid, is approximately ONE THOUSAND.

The city's annual interest budget alone million dollars—enough to defray the use of the City of Chicago.

## Only Through Public Ownership and Operation of the Electric Light, and Transportation Utilities.

In Letter to Bankers Who Are Raising \$170,000,000 on Subway Bonds, He Tells of System Stream That Will Flow to Company From New Subway Contract—Interborough Authorized to Deduct \$14,416,351 as Prior Claim From Subway and "To Obtain a Dollar at Profit Accrues to the City.

Proof that the city has awarded a gift of untold millions of dollars to this Interboro in the new subway contract is contained in a letter by President Shorts to J. P. Morgan & Co., who are floating the \$170,000,000. "From the Interboro, as summarized by the bankers themselves:

Item at the city's expense at 110. Here is what Mr. Shorts further says as to the value of the subway contract to the value of the Interboro, as summarized by the bankers themselves:

Reproduced from KLEIN'S WEEKLY NEWS.

## CHAPTER XVII

### THE CITY'S MONEY WAS WASTED AND THE INTEREST OF ITS CITIZENS OTHERWISE DAMAGED THROUGH IMPROPER STREET PAVING AND FAULTY SEWER CONSTRUCTION

For many years prior to the city's collapse, it had wasted a large part of the people's money through the laying of asphalt pavements throughout the city. The city spent approximately fifty million dollars during the twenty years preceding its insolvency and the estimated waste based on specific calculation *is approximately twenty million dollars*. A comparison was made of the cost of laying asphalt in several of the large cities, and it was found that the cost in the bankrupt city at that time averaged more than *twice that paid in each of four other cities, all of them within two hundred miles*. It was estimated during the period of three years covered by this investigation that the city had wasted *two million dollars on street paving*. This excess was accounted for as the price of the monopoly in asphalt paving, which held the city at that time, and which continued over a score of years. The excess paid by the city averaged about *two million dollars a year*. Some of this money was assessed directly on the people and the rest of it was provided for out of bonds issued to run for long periods. One set of pavement bonds, drawing *seven per cent. interest*, was issued more than *seventy years prior to the time of the city's failure*, and was still outstanding when the city became bankrupt.

The condition of the city's pavements became acute six or seven years before its failure, in spite of the fact that several million dollars had been spent each year to keep the pavements in repair and to lay new pavements where needed. The city had in office as the head of one of its boroughs, an official who was professionally engaged in politics and who was in public office for personal benefit. He had squandered the pavement fund for the benefit of the asphalt monopoly and of his own followers, and so impassable to vehicular traffic did the streets become because of neglect, that the business of trades people was damaged and the city suffered serious injury to its costly fire apparatus which were damaged by the broken pavements. This official was subsequently removed from office because of general maladministration, and one of the main causes of his removal was the wasted street paving funds. During a period of three years under this official, the city was sued 138 times because of its failure to properly maintain its pavements, the damages claimed totalling more than one million dollars.

There were other pavements besides asphalt on the city's streets, and the same general waste was incurred with each style of pavement. The city had laborers employed at fair salaries to keep the stone pavements in good

order and to replace them whenever they were moved to reach the gas and electric light pipes and water mains underneath. In the district presided over by this political office holder, the pay-roll of this repair gang averaged three thousand dollars a week. No adequate record was kept of the sums paid to these laborers, and when it was totalled up it was found that wages had been paid from trust funds deposited by contractors to guarantee that pavements would be properly restored after they were torn up. In this way, the money of these depositors was misused, and the city was unable to keep an adequate account of the amount of money paid for repair of highways by this official. The trust funds, of course, were finally replaced through special appropriations by the city's governing power, but this mishandling of the city's money and the money of private contractors hastened to bring about the city's financial downfall.

There was another form of pavement known as wood block which was used during the administration of this official, and in each case the contract price was exceeded by the final payment. The average excess in ten specific contracts was fourteen per cent. above the contract price. The bid of the paving company was accepted as the lowest of all bids offered, but in each instance the contractor was paid in excess of the bid. The total excess on seventeen contracts was fifty thousand dollars, the gross amount paid being \$553,000. In most cases, the excess payments on the contracts were illegal, the law limiting the excess to five per cent. The contracts specified that no claims for additional work should exceed that margin.

There were other evidences of irregularity in the bureau which controlled street pavements, and where an average of eight hundred men were employed in repairing the streets. It was found that some of those on the pay-roll were never engaged as street laborers, one of them being employed as night watchman in a theater. Others who were on the pay-roll were bartenders, fish dealers, and these were supposed to have performed the work of cartmen for the city. One of those on the pay-roll was an expressman who hired a boy to drive the cart for him, the boy receiving but a small portion of the wages paid to the expressman. Another highway employee who parcelled out his services was a stableman who engaged a friend to drive a cart for him. Another who served the city in the same vicarious manner was a teamster who acknowledged under oath that he never drove a cart himself. There were others on the pay-roll of the Highway Bureau, who served in the same way through substitutes, but their names were carried on the pay-roll and they received the full amount due a regular employee. It was also learned that most of those on the Highway pay-roll were members of various political organizations, their employment being merely political and not to satisfy the needs of the city.

An investigation of contracts for street paving disclosed that the specifications were so drawn that a monopoly was created and that the city had no adequate redress from contractors where pavements were improperly laid. Specifications in most of the contracts were ambiguous and failed to provide for the use of suitable material; the testimony of experts on these contracts proved conclusively that they were drawn so that contractors and not the city should benefit. The testimony of one of these experts is as follows:

"The specifications for asphalt pavement are inadequate and indefinite, and they distinctly require methods of preparing foundation and laying asphalt surface which are now recognized by the best authorities to be *wrong* and to result in inferior work. The best interests of the city require that these specifications shall be revised, and I regard the matter as so important that I recommend that no more contracts be entered into under them"

The waste of public money in the pavement of the city streets was probably more general than in any other direction. The streets were continuously paved and repaired and the people were being assessed directly or through the issuance of bonds, for this work. The political mismanagement of the city found its best excuse for waste in this direction, because by this means it was able to provide employment for those of the laboring class who were out of work. As already shown, income was provided for many who were employed in private capacities and who had sufficient political "pull" to place their names on the city's pay-roll.

The city paid monopoly prices for asphalt pavement for a score of years before the final bankruptcy. It paid an average of \$3.20 per square yard for new asphalt surface while the prevailing price for the same pavement was a dollar a square yard in another borough. The total cost of laying and maintaining asphalt provided by this monopoly averaged \$7.56 a square yard, though the original contract price, including a fifteen-year maintenance guarantee, was \$3.94 per square yard. The asphalt monopoly in the city was based on the control of the asphalt beds from which the composition was shipped to various parts of the country. In the city refined asphalt was quoted at \$41 a ton as against \$17 a ton in foreign ports, and in a period of eight years the city paid \$480,000 more for the same quantity of asphalt than could be purchased abroad.

The property owners of the city were doubly injured through the mismanagement of the pavement finances, the delay in transmitting assessments against property after pavement had been laid being deliberate and for speculative purposes. At one time the city had outstanding assessments totalling twenty million dollars against property owners where pavements had been laid, but these assessments were not filed with the final assessing body, because the real estate sharpers who owned these parcels of property were anxious to dispose of them so that the pavement debt would not become a lien against the property until *after it had passed out of their hands*. In this way those who purchased property from these land developers and who invested their money on a legitimate basis, found that they were victimized by the land sharpers and the city's own employes who conspired to impose the pavement debts on the innocent land purchasers. This practice became so general prior to the city's collapse, that an investigating body found that lawyers who made a specialty of condemnation practice, profited largely through this interruption and delay of the city's business; the transfer of the assessments to the final assessing body, was "held up" through their instrumentality. This same interruption took place with regard to assessments for sewer improvements, and similar imposition was practised against those who purchased property immediately after sewer improvements had been made, where

the assessments were still "held up" only to be filed as a lien against the property *after it had been acquired by the new owners.*

This practice became so general and so damaging to innocent purchasers of property who learned afterwards that they had been victimized, that an end was finally put to the swindling practices. The city was compelled to register all its improvement assessments promptly thereafter, but the condition of the real estate market was then such that property owners were unable to dispose of their property *at even the value of the assessment on the city's tax books.*

A final effort was made to improve the city's pavement and to economize in public expenditures in this direction, during the few years before the city became insolvent. Various suggestions for the construction of a municipal repair plant were proposed, but the advantage of such an undertaking was not obtained before failure overtook the city. It was charged also during this brief period of three years when pavement improvements were undertaken, that the city was still wasting its pavement funds. This accusation was made after an award of a contract to a wood block paving company for \$131,000. A bid for asphalt pavement over the same area was only \$105,000. The official at whom the accusation of extravagance was directed declared that the wood paving block was more desirable for the locality specified in the contract. This assertion, however, was not borne out by a walk over the pavement in summer time, when the tar in the wood block stuck to the shoes of pedestrian and damaged the floor coverings of homes in the vicinity.

The people's interests financially were damaged in other ways in the matter of street pavements, than those already mentioned. In the restoration of pavements by the railway companies, the blocks or asphalt were usually restored in a careless or improper manner resulting in serious damage to trucking. Not infrequently were the wheels of wagons and the tires of automobiles ripped off because pavements were improperly restored. A commission which investigated the condition of the city's streets within a few years of the city's failure, reported these careless repavements and also reported the fact that because of discrepancy in prices *the city was overcharged two million six hundred thousand dollars in a few years on the cost of pavement.* This report was the most recent from which figures of substantial accuracy were obtainable.

Another channel through which the city's money was wasted was in the construction of sewers at a total cost of more than \$50,000,000. Investigation showed that the city paid exorbitantly not only for construction, but for repair and maintenance, and that the waste of public funds was relatively as great in one direction as in another.

The city had some trunk sewers whose diameters exceeded fifteen feet, and which were constructed under contract at a cost of millions of dollars. The property owners in the district through which these sewers ran were assessed for all sewer construction work, the city at large paying a share of the cost in some instances. The individual assessment on some of the property owners *actually exceeded the value of the property on which the assessments were levied,* and these outrageous charges were due to the fact that

the contracts for sewer construction were let not to the lowest, most competent bidder, but to the most unworthy and incompetent contractor.

The waste to the city on sewer construction included not only the excessive charges of the sewer contractor, but also the effect of improper construction. In many cases after the sewers were finished and accepted by the city's engineers and final payments made to the contractor, it was discovered that the sewers were faultily built and repairs were actually made almost as soon as they were finished. There were numerous instances of improper sewer construction only some of which will be cited. In one of the city's boroughs, a contract for the construction of a trunk sewer was let to a contractor who died when the work was under way. His wife attempted to finish the job and she failed on the contract, which was turned over to another contractor who used thousands of barrels of cement which had been condemned by the federal government. The contract was also withdrawn from this contractor and turned over to a third contractor, who finally finished the job, the total cost of the construction of the sewers being *twice the amount of the original contract*. The second contractor sued the city for \$100,000 and recovered that amount damages.

In the same borough, the annual cost of sewer maintenance was approximately \$125,000. This sum was paid to laborers who cleaned the sewer basins, and an authoritative investigation disclosed the fact that 40 per cent. of this money was wasted each year. There was one foreman and an assistant foreman in each "gang" of laborers which consisted of two carts and three laborers. Neither the foreman nor the assistant took any part whatever in the actual work of cleaning the sewer basins, except that they looked on while the basins were being cleaned. These laborers were credited with overtime when actually no overtime existed, the purpose of the extra credit being to allow them time off to attend the outing of a political organization.

A summary of the report of the city's investigators with regard to the waste of the city's money in excess payment to sewer cleaners estimates that the city's *total loss for the period of six years in the salary account alone of sewer laborers was \$302,000*. The summary also states that this excess payment is due not only to inefficiency and indifference of the laboring force, but also to a deliberate desire to provide employment for as many men as could possibly be placed on the city's pay-roll. It is also estimated that the cost of a cubic yard of material removed from the sewer basins, was \$3.11 as compared with \$1.80 when the sewer "gangs" diligently performed their work.

Contracts for sewer repairs were usually let to favored contractors and the investigation showed that the charges for repair work by these contractors was from 25 to 100 per cent. more than a reasonable price. One of these contractors was paid \$13 to \$14 per linear foot for sewer pipes when a reasonable price, allowing a fair profit, would have been \$7.50 or \$8 a foot. A record of the city's sewer bureaus showed that while in one borough the cost per sewer basin for cleaning was approximatively \$4.90, in another borough the cost was only \$1.80.

In another borough, the city spent several million dollars for the construction and replacement of sewers along the line of the new underground

railroad. The construction was of such a faulty nature, that the sewers began to overflow and property owners sued the city for consequent damages. These sewer damage claims became so numerous that an investigation was determined upon, and it was discovered that a group of lawyers had instigated most of them. Among the leaders in this group were two lawyers who were on the terms of friendliest intimacy with one of the judges of the city's highest court. The claims against the city aggregated many millions of dollars, and more than \$300,000 of "damages" had been paid before the extent of the sewer frauds was discovered. Both of these lawyers who were the judge's intimate friends, were indicted on the charge of grand larceny, and one of them was convicted and served a prison term. The indictment against the other, who was the judge's particular crony, was never pressed for prosecution.

*The story of the city's wrongs in the matter of sewer construction would be interminable if all the details were told. Suffice it to say that the heads of some of the city's sewer bureaus were active in the destruction of the city's interest, and some of them were dismissed from time to time after an investigation. One sewer superintendent was permitted to resign in deference to the wishes of one of the city's distinguished jurists after voluminous charges had been filed against him for malfeasance in office. He was charged with damaging the city's interests to the extent of many thousands of dollars and also with responsibility for false charges against property owners who were assessed for sewer construction.*

*In view of the continuous failure of the officials charged with sewer construction to guard the interests of the city and its people, the financial injury involved in the construction of sewers at a cost of \$50,000,000 was at least \$20,000,000. The reconstruction of sewers to the amount of \$25,000,000 was declared to be imperative at the time the city became bankrupt.*

## CHAPTER XVIII

### THE CITY'S TENEMENTS BRED VICE AND CRIME WHILE THE FUNCTIONS OF ITS TENEMENT HOUSE AND BUILDING BUREAUS WERE NEGLECTED

The city's interest and the interest of its builders and property owners was greatly damaged through its building bureaus and through its department for the control of tenement houses. The damage was as serious in one department as in the other, both of them affecting the safety and the health of the people. The Tenement House Department was created mainly to insure the construction of sanitary homes for the poor, and the inefficiency of this department was a particular injury to the people. An investigation of the building bureaus a few years before the city's financial collapse disclosed how serious was the mismanagement of this branch of the city government. The regulations of the bureaus in each of the city's boroughs were enforceable through the medium of inspectors selected after examination, but so indifferent were they to the duties of their office, that their services were of little value.

In each of the bureaus there was an emergency fund for the shoring of "unsafe" buildings, and under the pretext that emergencies existed, many thousands of dollars were paid to favored contractors. In one year one of these contractors received \$67,000, and in another year he collected \$38,000 from the city. The sequel to each payment was found on the books of the contractor, which disclosed that sums of money ranging from \$25 to \$1,000 were paid to inspectors of the Building Bureau. These inspectors were charged with supervising the work of the contractor to see that no more work than was necessary under the emergency order was done and that payment was honestly charged. In most cases the property owners were compelled to pay for this emergency work in addition to payments made by the city.

The investigation disclosed that the only system of checking the bills of contractors was the memoranda of work contained in the inspectors' note-books. These note-books were unavailable at the time of the investigation on the explanation that they were the private property of the inspectors. There was no record in the Building Bureau of the material or labor furnished by the contractors for which bills were rendered and for which payment was made.

The records of these bureaus were so inadequate that not even time sheets of the inspectors' service were kept. The records showed that shorers were paid \$4.00 and riggers \$5.50 a day, but the testimony of one of the

superintendents under whom these men worked was to the effect that he knew no distinction between shorers and riggers, each doing the same class of work.

The contractor charged for the services of watchmen as well as for shorers and riggers, and in one instance *the charge was made for the services of eight watchmen where there was only forty-six pieces of lumber to watch.* In another instance the contractor charged for twelve days' services for foremen shorers and 107 days for shorers where the actual shoring done was *with one piece of lumber.* Another specific instance of overcharge by the contractor was for the rental of eight lots at \$50 a month each for fourteen months, the total rental charge being \$5,600. The contractor's own records showed that he paid as rental for these lots for the entire period only \$816.

The discretionary power exercised by the heads of the building bureaus left a wide margin for the exercise of favoritism on their part. In several instances the building code with respect to construction of theatre buildings was violated with what would seem to be the consent of the superintendent, and in two cases the regulations for exits in the event of fire and for the proper construction of courtyards, were deliberately ignored by the builders. In neither case was it necessary for the builder to remodel his construction to comply with the provisions of the law. The superintendent also exercised wide discretion in the alteration of non-fireproof hotels, and in many cases the law was construed directly in favor of the hotel proprietor. In one instance, where plans were filed for the addition of another story for a non-fireproof hotel, the plans were made to appear that the addition would come within the height prescribed for non-fireproof buildings. The building was actually raised eighteen feet above the limit prescribed by law, and *no violation was ever placed against the structure in the Building Bureau.* In this particular instance it was testified that a sum of money was paid to secure the approval of the Building Bureau to these plans.

In other cases it was found that the superintendent of the Building Bureau approved applications for the alteration of buildings in violation of the code and that such alterations produced structures wherein the lives of the inmates were placed in peril of fire because the law was violated. In one case two buildings were added to an old non-fireproof hotel, and the only egress from these additional buildings was through the non-fireproof structure. There were alterations of a similar character which were approved by the superintendent of buildings *in direct violation of the law* and to the peril of the occupants of these houses. The purpose of the building code was to insure the safety of the people through the proper construction of their residences, public buildings and places of amusement.

In the Building Bureau in other boroughs violations of the same nature were found and the building code was violated in the same glaring manner. Buildings were erected on lots in contravention of the law, the structures occupying more of the lot than prescribed by law; in other instances non-fireproof structures were built in direct *defiance of the law.* It was also discovered in one of the bureaus that the salaries of the principal subordinates were so split that the salary of the deputy superintendent was actually less than that of his two subordinates. This was by prearrangement in order to

provide an extra position in the bureau. It was also found that more inspectors were employed in these bureaus than were needed to properly perform the functions required by law and that the service rendered was not only inadequate, but of a nature designed to harm the public interest rather than to aid it.

Inspectors were appointed mainly for political reasons, and their services were on a par with other appointments for similar reasons. The badge of office of a building inspector was frequently used for blackmail purposes by those who were *in no wise connected with the bureau*, and there were numerous complaints by contractors who erected fire-escapes, as well as by building contractors, that bribes were demanded even where the law was fully observed in fulfilling the contract.

In connection with the control of this department for political purposes, repeated attempts were made by those of political influence in the city to amend the building code in such manner that would bring large profit to a special group of manufacturers of building material. These efforts were opposed by those who represented rival business interests, and the notoriety resulting from this opposition defeated the efforts of both interests. The abortive attempt to amend the code involved the city in claims for services aggregating several hundred thousand dollars and these claims were still unpaid at the time of the city's failure.

During the administration of one building superintendent a safety elevator clutch in which the superintendent had a financial interest was introduced, and builders were advised to use it. The profits accruing from the forced sale of this safety clutch swelled the fortune of the building superintendent. The blackmailing of builders and of fire-escape constructors became so general at one period that exposure was threatened. Charges of graft were made by those who had dealings with the building department, and only the fear of retaliative persecution prevented the complete exposure of those accused. In one instance a building inspector used the letter "M" to indicate what he considered was the value of his "services" in O. K.'ing a construction job. He compromised by saying he would take a "D," which in the parlance of the grafting inspector meant \$500, the "M" standing for \$1,000. At another time a clerk in the bureau indicated that for \$10 he would hasten the issuance of a permit for the erection of a grandstand during a parade event. On several occasions building inspectors were arrested after they had taken marked money passed to them as bribes, but at no time did the exposures assume the full proportions of scandal, because of fear and of the complicity of contractors with the building inspectors.

Conditions in the Tenement House Department were on a par with those in the Building Bureau, though less was heard of the misconduct of the employees in this department. Accusations were frequent that the department was mismanaged, and that the functions of the department were not fulfilled because of the failure of its employees to perform their duty. In fact, the condition of the city's tenements at the time of the city's failure was such that it was estimated that there were as many as 50,000 *rooms in tenement houses where no ray of light penetrated*. There were at that time more than 100,000 tenement houses in the city, each housing an average of

100 persons. Most of these windowless apartments were constructed prior to the enactment of law prohibiting their construction.

Inspectors in the Tenement House Department on more than one occasion were charged with the same form of misconduct as were those in the Building Bureau. An investigation conducted only a few years before the city's failure showed that tenement inspectors used the power of their office to induce builders to employ certain subcontractors on their buildings and to place their insurance through favored insurance brokers. By this means the inspectors "earned" extra profits from their position. The investigation disclosed that tenement house builders were held back in their work whenever they failed to act on the suggestions of the inspector, and in one case, when an inspector was flatly accused by a builder of holding up his work because he declined to engage certain subcontractors, no injury to the accused official resulted, though the complaint was made directly to the head of the tenement house department.

A report by an unofficial investigating body with regard to the enforcement of the tenement house law showed that more than 56,000 violations were pending against tenement houses at one time, and that most of these complaints were unacted upon for years. A similar situation existed with regard to the work of the city's law department in cases where violations were reported. At the time of the investigation more than 16,000 complaints against tenement houses were unacted upon by the law department.

The report of this unofficial investigating body showed that the work of the department was carried on only in a perfunctory manner, and that no serious attention was paid to the well-being or the safety of those who lived in tenement houses, the department having jurisdiction over the residences of 80 per cent. of the poor. The job of tenement inspector meant merely that the person who carried the title was carried on the city's payroll without any particular obligation on his part to perform the duties of his position.

A large number of the city's tenement houses were owned by estates of great wealth. Some of these houses were located in the poorest quarters of the city where the most unsanitary conditions prevailed. Some of them were owned by religious corporations, and it was disclosed at one time that not only were these houses in a most unsanitary condition, but that the lives of the tenants were endangered because of improper construction. One row of tenement houses owned by a charitable institution and exempt from taxation was in such filthy condition at the time of the city's failure that those unfortunate enough to be compelled to live on the premises were continuously ill. The death rate in this section of the city was unusually large and poverty was pronounced. These houses were not improved, even though the new law affecting tenement houses required that at least sanitation and safety from fire be provided. The tenements belonging to these estates were fire-traps, as well as incubators of ill health and breeders of vice and crime.

## CHAPTER XIX

### THE CITY PAID TWICE WHAT IT SHOULD FOR PRINTING AND STATIONERY AND IT SPENT \$400,000 A YEAR FOR THE REPAIR OF AUTOMOBILES USED BY CITY OFFICIALS—ITS PEDDLERS WERE VICTIMIZED ON LICENSES

Another channel through which the city's funds were largely wasted was the purchase of stationery supplies for various city departments and the payment of money to newspapers and other publications in the city, for advertising purposes, on the recommendation of the mayor or his representative. A few years before the city's failure, a commission was appointed to estimate the total loss of city funds through this source, and the report of this commission furnished illuminating data for the people. It showed how *the influence of the newspapers was indirectly purchased through the favor of city advertising, and it also showed how several hundred thousand dollars were squandered annually for printing on which the city was grossly overcharged.* The city's printing bill increased 250% (to \$800,000 a year) in a few years, during which time the mayor of the city was solicitous for the support of the local newspapers in his effort to build up a personal political following.

Most of this printing was ordered by the various department heads without competitive bidding and on direct order in violation of the city's charter which specified that no contract be awarded for more than one thousand dollars *without competition.* During that same period the city purchased from this same printing concern stationery for *more than a quarter of a million dollars*, most of it being acquired on open order without competition. The total amount annually expended for printing and stationery up to a few years before the city's failure was approximately \$1,150,000, and the following indicates how some of this stationery was purchased. The Health Department, just a few days before the change in city administration, ordered blank books and stationery at a cost of many thousands of dollars, and the order in a single day provided the Department with as much stationery as it could use in several months. The order called for cards, blanks, vouchers, report slips to the number of 1,600,000, separate sheets, all of which were requested at the expense of the people, *without competition.*

The committee which investigated the public extravagance in the matter of printing and stationery, charged plainly that *the city had been overcharged half a million dollars a year on its printing, stationery and advertising contracts during the six years preceding. It showed that in one year the city paid \$840,000 for advertising in various newspapers, of which a quarter of*

*a million dollars was paid for advertising election information.* These advertisements, besides being inserted in the prominent daily newspapers, were also inserted in inconspicuous and unknown weekly publications, some of which were started solely for the purpose of obtaining this city's advertising through influential intermediaries. *At one time twenty-three of these publications were carried on the city's advertising payroll.* The commission, in its report, declared that \$300,000 of this \$840,000 of advertising should have been saved. It also recommended that advertising be reduced to a minimum.

The commission also reported that of the total amount expended for printing purposes by the city *the overcharge was approximately fifty per cent. out of the total printing bill as already stated, of eight hundred thousand dollars a year.* The committee, in its report, went into detail to show what the city was overcharged in printing, and it showed how pages of composition were set at a contract cost of \$4.50 a page for which the city actually paid \$9.65. This was in the city's own special publication, consisting of 1668 pages, the total overcharge for composition alone on this one issue being \$8,657.

The commission also reported that where the city paid \$13.84 for composition per page for a great many pages, the same work could have been done for \$3.30, showing an overcharge of \$10.54 per page. It also showed that the city was charged \$8.31 per page for composition covering 145 pages, and that the actual cost of this composition should have been \$2.10 per page. It also showed that the city paid \$52,000 for the publication of a special real estate supplement containing 3696 pages, and that the overcharge to the city alone on this supplement was \$29,161. These disclosures of public waste in the city's printing and supplies were followed by competition in printing and in the purchase of stationery supplies.

For many years city printing and the sale of stationery to the city was monopolized by a single firm of printers, and the disclosure resulted in the awarding of a contract to a rival printer. Supplies had been purchased through a subsidiary of the printing firm which held the monopoly, and during this entire period of a score of years the monopoly *averaged more than a million dollars a year profit, at the expense of the city.* The rival printer who obtained the contract was long established in business, and reliable. He agreed to perform the same service as that rendered by the other printer for one-half the price. No sooner was he engaged on the contract than he found himself harrassed on all sides by various city departments which complained against his services. This badgering by public officials was incessant, and the new printer found that the money due him from the city was held up by the city's financial officer. In the meantime his print shop was entirely taken up with city work, his private customers were neglected, and he was unable to meet the expenses of his plant without some of the money which the city owned him. Distracted and tortured by this condition, the printer who occupied a leading position in his trade for a quarter of a century became desperate and ended his life by drowning himself in a well on his own property.

It was not until this happened that the meanness of those who crippled him was spent and the city awakened to its responsibility in the matter. It

*was then too late. The contract was reawarded to the firm which had enjoyed the monopoly and the graft for so many years, and at the time of the city's failure this same establishment was the beneficiary of all the city printing. The city spent one million dollars a year for printing and stationery, and at no time did it attempt to establish its own printing plant. This could have been done for less than half a million dollars, which was one-half of the city's annual expenses for printing. It could have purchased blank books and stationery direct from the manufacturers and saved another quarter of a million dollars a year.*

*The commission which investigated the printing charges and the purchase of stationery reported that a total expenditure for these purchases, including text books required by the Board of Education, was \$3,402,000 in one year. The report also showed that the city paid \$97,000 for pencils, sponges, pads, shears, rubber erasers, and that the total cost of blank books used in one year was \$151,000. It also discovered that a large percentage of the money paid out for advertising in the daily and weekly newspapers was received as commission by a firm of advertising agents organized for the purpose of distributing the city advertising. This was contrary to law, and was only carried on because the mayor's own secretary profited financially through this advertising concern. This firm of advertising agents received approximately forty per cent. of all advertising which it placed in the daily or weekly newspapers, and the committee's report showed that commissions paid to this firm by the newspapers on moneys received from the city in a few years approximated two hundred thousand dollars.*

*Such was the waste of the city's funds in payment for advertising in the daily and weekly newspapers, not one-third of which was necessary or of any particular value to the people. Just before the city's financial failure it was disclosed that in the advertising of proposed railway franchises the cost of the advertising space in the daily newspapers was more than the city received in revenue from the particular franchise in half a dozen years.*

In connection with the waste of city money in superfluous advertising, the mismanagement of its license bureau should be taken into account, because the licensing of peddlers and other trades-people was part of the function of the mayor's subordinates. The License Bureau was under direct jurisdiction of the mayor's office, and the mayor's secretary virtually shared responsibility with the license commissioner for the proper issuance of licenses. An investigation of the management of the License Bureau a few years before the city's failure showed that the meanest sort of graft was exacted from peddlers, bootblacks and other petty tradespeople, for the privilege of doing business under a city license. The report of the city's commissioners who investigated the management of this office disclosed that forfeited licenses were frequently reissued for a consideration, that licenses were traded in through intermediaries and not issued in the regular manner, that no proper record of licenses issued or reissued was kept and that the funds of the license bureau were improperly used by those who were charged with the responsibility of collecting them and depositing them to the city's credit. An illicit traffic was found to exist in the licenses for push-cart peddlars, the licenses being sold for as much as \$25 each, the legal fee being

only \$4 for a new license and \$2 for a renewal. The legal fee for a common show license (moving picture show) was \$25 and \$12.50 for a renewal, though the fee exacted in most cases by those in authority in the license bureau was between \$50 and \$150 additional.

Among other victims of the license extortion were organ-grinders and boot-blacks, the boot-blacks being assessed surreptitiously, because their stands protruded beyond the stoop-line on the city's streets or because they operated more chairs to a stand than allowed by a city ordinance. One of these boot-blacks testified that he paid an occasional \$5 bill for the privilege of keeping an extra chair on his stand. A push-cart peddler also testified that he had a license from a policeman for \$20 and that *prior to the purchase of this license he had been arrested by the same police officer for peddling without a license.* He also testified that on more than one occasion after purchasing his license, he was required to pay 50 cents to the policeman as a gratuity not to be disturbed in his business. Another peddler also testified that he paid \$20 to a police officer who secured a license for him and that he paid the same sum to the same police officer to secure another license for a friend. The legal fee for these licenses is four dollars each.

The number of licenses issued and reissued by the license bureau each year was in the thousands, the total annual revenue of the bureau being \$400,000. This money was handled in so careless a manner that the funds collected were not always available by the city authorities. There were deficits in the collections and a blank check signed by the responsible deputy in the bureau was left on deposit with the financial clerk to cover the deficiencies.

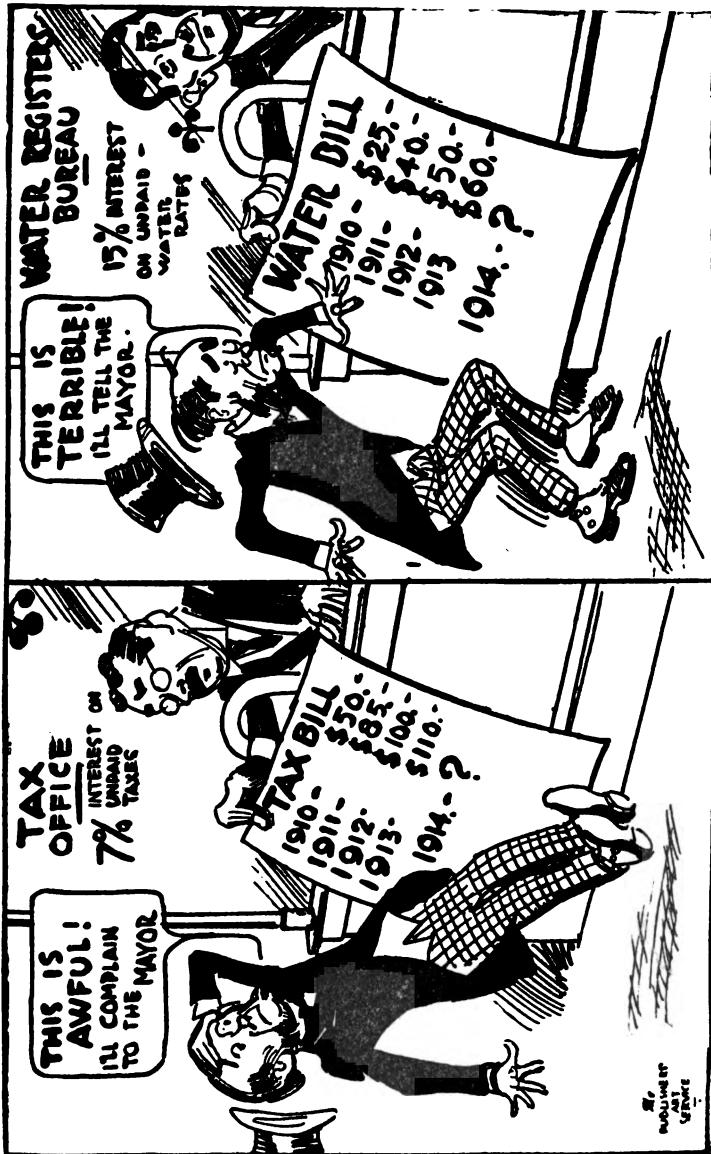
It was in the purchase and use of automobiles, that the extravagance of the city was plainly shown. The city had spent more than \$1,000,000 for the purchase of automobiles up to the time of its financial embarrassment, and it had on hand as many as 200 high-priced motor cars allotted to the various city departments, the average cost of which was \$2,000. One department had as many as seventeen automobiles at its command, and the manner in which these expensive vehicles were used was disclosed one day when a subordinate in the Water Department who was formerly a newspaper reporter and who performed practically no service though he drew a comfortable salary, was injured in a collision. This subordinate was motoring through the park on his way to the suburbs accompanied by an aeronaut, who was intending to fly in his airship when they reached their destination. *It was notorious that the city automobiles were used for pleasure purposes by those to whom they were provided, and it was also notorious that these automobiles cost the city more than they did private individuals and that the bill for repairs was at least 100 per cent. more than that of private owners of automobiles.*

The city not only purchased automobiles for more than \$1,000,000, and it not only paid as much as \$400,000 a year for maintenance and repairs, but it also spent many thousands of dollars annually for the hire of automobiles for special occasions. *At least two departments of the city were supplied with sixteen automobiles each, and shortly before the city's financial collapse an effort was made to induce the city's financial body to acquire new motor cars.* The claim of one of the city's borough executives was that his chief engineer

was without the convenience of an automobile, though the records showed that two automobiles had been provided for the use of that executive's subordinates, during the preceding six months. The executive asserted that two of his automobiles were useless when purchased, and that two others should be on the "scrap heap." Nevertheless, \$2,500 was appropriated for the purchase of a new automobile by this borough official.

Such was the story of the city's wasted funds as expressed by its extravagance in automobiles. It was typical of the lavishness of city expenditures in other directions, the wastefulness being emphasized by the fact that the automobiles were used oftener for pleasure purposes than for the transaction of the city's business. The chief sanitary official of the health department as well as most other officials generously supplied with city automobiles, were the grossest offenders in this direction. The madness for city automobiles grew so rapidly that sometimes half a dozen of them were purchased at a time. *The annual cost of their maintenance alone was sufficient to pay interest at six per cent. on \$7,000,000, such was the recklessness with which city automobiles were used.* Not infrequently, these expensive motor cars were smashed against elevated pillars and crushed out of appearance. They became useless junk after each such accident and were disposed of for less than the value of the metal alone. Some of the city's automobiles sold at public auction, so that new ones might be purchased, were hired by the city after they were sold, or were used for hacking purposes for many years by those who purchased them. This practice of buying the city's automobiles for a small fraction of their value and renting them to the city at the value of new cars, was just as common as was the practice of selling the city's horses and hiring them from the purchasers. The loss to the city was relatively the same in each case.

## THE FATE OF THE UNHAPPY TAXPAYER



(Continued on page 140)

## CHAPTER XX

### THE CITY ELECTED A "REFORM" ADMINISTRATION, BUT THE FAILURE OF ECONOMY ONLY AGGRAVATED ITS FINANCIAL EMBARRASSMENT.

For more than a score of years prior to the city's bankruptcy, its administrative expenditures grew at an alarming rate and its bonded debt and interest burden increased in proportion. The city's ultimate embarrassment was slowly becoming apparent to those who studied its financial affairs. In fact a *former financial officer of the city issued a pamphlet several years before the bankruptcy in which he told specifically of the city's financial condition and of the prospect of bankruptcy within ten years*. His prophecy was based on the ratio of increase in the city debt and expenditures, which he emphasized in his pamphlet and which was given wide circulation during a campaign for the election of public officials on a *program of economy*. The warning however was lost soon after the new officials were elected.

Efforts were made by these officials in the beginning of their administration to reduce the cost of city government, but these efforts were effectual *only in spots*. The influences that urged and commanded expenditures of public funds were overpowering, and though the city officials *aimed at economy, they were unable to carry their efforts to successful conclusion*. It was during this "reform" administration, elected on a pledge of economy, that the city's expenditures continued to increase and that the crisis in the city's affairs developed. It was in their failure to stop extravagance, as well as in their waste of public funds, that the condition of insolvency developed.

The city's profligacy began to overtake it almost as soon as the new officials entered office. They had inherited a bad system of budget-making which was slowly improved, and they were also the victims of a condition that existed in the city's financial department which made it almost impossible to tell just what the city's actual credit was at any given time. This lack of information tempted city officials to demand larger appropriations for public "improvements" than was judicious, and the temptation for lavish expenditure was irresistible in the face of the insistent demands of wealthy property owners that the city buy their land and that the city undertake "improvements" for no other purpose than to spend money.

It was under the spur of official recklessness in these expenditures and in increased payrolls for city employees that the *annual budget for city administration grew from \$77,000,000 to \$193,000,000 in a period of fifteen*

*years. This growth was extraordinary when contrasted with the increase in the city's population for the same period. The population grew only 52 per cent. The growth in the city's bonded debt however was even more startling than was the city's budget for routine administration. In the same period of fifteen years, the city's bonded indebtedness increased 250 per cent, or from \$340,000,000 to \$1,200,000,000, an increase of \$860,000,000. This extraordinary addition to the public debt was only made possible through the increase in assessments of the city's real estate, which furnished an index of the city's legal borrowing power. Under the law, the city could become indebted only to the amount of ten per cent. of its assessed value, and during the period of fifteen years referred to, the assessed valuation of taxable property expanded from \$3,400,000,000 to \$8,600,000,000, or a total increase exceeding 170 per cent. This increase enabled the city to contract a net bonded debt of \$860,000,000, and this extreme figure was reached at the end of the fifteen years' period in question.*

*It was then realized that not only had the limit of the city's borrowing capacity been overtaken, but that its taxing power had also been exerted to the limit. The tax rate ranged from 1.81 on a full valuation basis to almost two per cent., the different rates applying to different sections of the city. The fact was that at the end of the fifteen year period in question the city's actual tax rate was more than two per cent., because the total assessment on which the official rate was levied was in excess of the true value of taxable property. In fact the city's financial officer himself frankly acknowledged that the city's constitutional tax rate had been exceeded and that there was no prospect of reduction in taxes or expenditures for many years. The city's financial officer based this portentous assertion on the fact that the city's annual interest charge to maintain the city's credit on its outstanding bonds was growing at the rate of several million dollars a year, and that at the end of the fifteen year period in question it exceeded \$60,000,000 a year, or ten dollars a year for every man, woman and child in the community. This condition was naturally serious because the income of the average family in the city consisting of five persons, was less than \$800 a year. On such an income, an annual payment of \$50 by the head of each household for interest on the public debt was staggering.*

*The interest debt accumulated on expenditures for so-called public improvements, these expenditures averaging about \$50,000,000 a year. At one time in the city's career, bonds drawing interest at the usual rate for ten years or more were issued for the purchase of supplies which were consumed or used up within six months. Interest alone on these bonds exceeded the actual value of the supplies purchased. It was this methods of financing which was countenanced in no business establishment, which hastened the city's financial downfall. It was logical that time alone should produce the effect which bad management and wasteful business methods provoked. The city's serious financial condition became apparent to the taxpayers and to average citizen, when the cost of government became so great that the rate of taxation became burdensome.*

*For many years, before the city's bonded debt was even half what it was at the time of the city's collapse, the tax rate, though exceeding two*

per cent., was estimated on a real estate valuation averaging less than half. This tax rate was reduced to little more than half when real estate assessments were increased to three-quarters of the actual value of property. At this period, *the total annual expenditures for administrative purposes was less than \$100,000,000, including the total interest payment on the city's outstanding bonds.* The city's revenues from all its property at this time was less than half the annual interest payment, so that most of the administrative expense and interest budget were raised by taxation on real estate. The city's annual revenue increased to approximately \$40,000,000 a year at the time of its failure, reducing the amount raised by taxation by just that sum. This deduction, however, did not relieve the taxpayers because the *interest burden itself at that time was almost twice as large.*

It was with the prospects of an annually increasing budget, tax rate and interest payment that the new administration was elected to office *on a program of economy and on a demand for efficiency in all branches of the city government.* The keynote of the campaign was both efficiency and economy, and those who had retained political control in city affairs for many years were turned out of office because of the extravagance that had grown up under them. In fact, not only was extravagance demonstrated, but it was proven through formal investigation, *that the public funds had been deliberately wasted so that certain individuals might profit at the expense of the city.* These wasted public funds did not immediately produce the ill effects finally arrived at, because extravagance was gradual and because lavishness could not be determined until after expenditures had been made and until it was possible for those interested in the public welfare to make the discovery.

This discovery and the proof of waste were matters of slow development, and the brazeness of those in office who were responsible for the mismanagement, carried the city's damage to the limit. It was the accumulated result of all this mismanagement that led to the city's final ruin, and the course of the city's career during its last several years, when each expenditure of an unnecessary dollar meant the hastening of the city's financial end, should be told in detail.

In order to emphasize the acuteness of the city's condition and the lavishness with which its money was spent, an exhibition of "waste" was held prior to the "reform" election. The purpose of the exhibition was to impress on the minds of taxpayers and voters, exactly what the cost of mis-government meant in dollars and cents. In line with this purpose, the cost of each article purchased by the city was ascertained, and it was emphasized in charts and diagrams, and by the exhibition of the articles themselves.

The effect of all this dramatic recital of the high cost of city government was apparent in the election. More than half the voters in the city had visited the exhibition chambers where these articles were displayed, labelled with their excessive cost and with their actual value, and when election day arrived, the party which had been in power and under whose control a large part of waste was effected was voted out of power.

The election was of singular result. The political organization which was held responsible for the accumulated extravagance of preceding years succeeded in electing the mayor who up to that time was regarded as an

"independent and fearless" jurist. The "reformers" elected the rest of the city ticket. The jurist had accepted the nomination of the organization because it was numerically strongest in the city, and the organization accepted his candidacy because he presented a mask of "independence" to the people.

The candidate's cunning was pronounced. He was well past middle age when nominated for the office of mayor, and he enjoyed a career of political intrigue and adroitness which was almost unparalleled. The candidate had studied the classical lore in his younger days; in fact he had prepared for the priesthood before he entered politics. He had been reared on a farm and taught the value of thrift and he learned the art of the politician through his practice at the bar. He entered the field of politics and when about thirty years of age, he was designated official counsel to a commission in one of the city's suburbs, created to dispose at public sale of all the fallow lands and sandy beaches of that community.

This period of employment lasted about a dozen years and it brought large profit and prestige to the young practitioner. Many of the parcels of property disposed of by the commission to which he was counsel were sold far *under their actual value* and after two or three transfers of title found their way into the possession of persons of political prominence or their relatives.

One of the parcels, consisting of many acres of land and beach front, was offered for sale. One bid was for \$182,000 and another was for \$1,000 more. Instead of accepting either of these bids, the commission guided by the young attorney rejected both of them and announced that the property had been awarded to a merchant who was a client of the commission's counsel, for \$181,000. Four years went by, but the property still remained in legal possession of the commission, the merchant who was supposed to have offered \$181,000 not having taken title. The property was finally re-auctioned and sold for \$150,000, the town which offered it for sale losing \$32,000 and interest for four years.

It was this same merchant who a few years later made a bid for public prominence, and engaged the young attorney to prevent the sale of a water company to the city for the sum of \$2,000,000. It did not appear at the time but it subsequently developed that the young attorney himself had been counsel to the water company prior to his action to prevent the sale. *In fact, the plan to sell the water company to the city originated while he himself was associated with those who owned the company and the franchise which had been obtained from the state legislature. It was only after the water company had been acquired by a more powerful political faction, that the action to stop the sale to the city was provoked. The lawyer had been superseded in the water company by a rival, and it was this pique that brought about retaliation through the court.* The outcome of the suit was that the sale was stopped, the price which the city paid was reduced, and the young attorney and his client gained public applause and prominence.

A few years later, the attorney again came into public attention as candidate for the Supreme Court. The popularity which he won in preventing the sale of the water company to the city for \$2,000,000 made him a prominent

factor in the campaign. As already stated, the attorney had been counsel to the land commission in an adjoining community for about a dozen years, and in that capacity *he enjoyed confidential relations with the leading political factor there*. This politician declined to endorse the lawyer as candidate for justice and his declination resulted in the nomination of the lawyer *by a rival political faction*. The campaign which followed was sensational. The lawyer was elected in spite of the dishonest opposition of his former political patron whose followers stuffed the ballot boxes, and when the campaign was over and the animosities of the campaign subsided, developments of an interesting nature followed. The result of the election was carefully canvassed, and the frauds that were perpetrated at the polls were astutely exposed. The upshot of the investigation was that the politician who had denied the lawyer the nomination, and who was also the lawyer's political patron, was convicted of complicity in the ballot frauds and sent to prison; and this event was the beginning of the political triumph of the "independent and fearless" jurist who was elected to office as mayor of the city on the "reform" ticket on a platform of economy and on a pledge to "save the city from the traction looters" and send them to jail.

## IN THE BANKRUPT CITY



AND HE DID **NOT**

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## CHAPTER XXI

### THE MAYOR'S CHARACTER WAS GRADUALLY REVEALED BY HIS OWN OFFICIAL ACTS, AND HIS "ECONOMY" AND THAT OF HIS ASSOCIATES IN PUBLIC OFFICE CONTINUED TO HASTEN THE CITY'S END

The mayor entered office under the most favorable auspices; in fact, his candidacy had been supported by most of the influential newspapers in the city, and as the executor of a large estate, he held an interest in one of the city's leading daily journals. Prior to the jurist's nomination, all steps were taken to prepare his entrance into the campaign, a dramatic situation having been created. For many years the jurist had rendered judicial decisions in favor of the gambling element of the city and of those who profited by the conduct of other illegal business. In most of his decisions, the jurist, in deciding for the law-breaker, insinuated that the police were actuated solely by motives of blackmail. His unfriendly attitude toward the police was not surprising, therefore, when the jurist appeared in the newspapers one morning as champion of a young man who had been arrested several times and who charged that he was the victim of police persecution.

The mayor had written a stinging letter, copies of which were furnished to the newspapers for publication, in which he demanded that the photograph of the boy be removed from the gallery of suspected criminals, and he denounced the practice of making such photographs. The commissioner of police maintained that the boy was properly arrested, that his photograph was properly placed in the gallery, and he declined to accede to the jurist's demand. The latter then wrote to the mayor of the city requesting that the mayor order the police commissioner to do as bidden. This request was communicated to the police commissioner by the mayor, but again denied by the commissioner who took pains to discover the true character of the boy who had become the *cause celebre*. It was found that the boy bore a bad reputation, and that he had been in trouble with his employers on various occasions. The police commissioner again refused to remove the boy's photograph from the gallery, and following his removal the mayor ordered the commissioner to dismiss his secretary and one of his deputies who had undertaken to fortify the commissioner's contention in the matter.

The refusal of the commissioner to dismiss these two subordinates resulted in his own dismissal by the mayor and in the sudden popularizing of the jurist who later became the candidate of the leading political organization. His candidacy brought out a great many facts with regard to his career that had been hidden from public view by the judicial robe which enveloped him during most of his later life. One of the most sensational

of these disclosures was the fact that the jurist himself was virtually the main instrument in the effort of a certain ring of race-track gamblers and managers to nullify the law which prohibited gambling at the race-track, the laying of wagers on horses. The law had been enacted only a few years before while the jurist was still on the bench. Associated with him in his law business was a young man of attractive personality who had grown up under his tutelage and who was looked upon as the jurist's adopted son. This young man was energetic in his habits and aggressive in the management of the jurist's law business, and with the backing of the jurist himself he was able to acquire large wealth and a good income. He was manager of a race-track belonging to a relative when the law which interfered with the race-track gambling was enacted. It was in order to overcome this new legal hindrance to the most lucrative part of the racing profession that means were devised to nullify the law so that horse racing would remain a profitable pastime.

The jurist lent himself to this scheme. The plan was to fix a test case predicated on the same conditions that prevailed at the race-track, and the jurist himself supplied the juridical skill to overcome the legal objection to such form of gambling. This test case was still unsettled when the contest for the mayoralty began, and the whole arrangement was exposed during the campaign. *In fact, the jurist was charged with conspiracy to defeat the law and his defence was so feeble that the charge was generally accepted.* It afterward developed that the jurist himself owned a mortgage on property owned by the race track and that the mortgage had been transferred to him by a person identified with the racing interest.

Under such auspices and with such a beginning, the jurist began his term of office as mayor of the city, his foibles and eccentricities being partly understood. He was no longer the "fearless and independent" jurist whose legal philippics projected insinuations of blackmail against the police and of helpless persecution on the part of the law-breakers. His eccentricities were beginning to become known, but no sooner did he enter the office of mayor than his hypocrisies were further exposed.

For the most part, the daily newspapers were warm in their praise of the mayor's "admirable administration." They saw nothing but the most lofty and most worthy conduct in each official act, and incidentally the newspapers themselves were rewarded for this friendly vision by advertising patronage at the expense of the city, by direction of the mayor himself. The "admirable" character of the mayor's administration continued to shine through the columns of the daily newspapers until a sharp clash occurred between the mayor and one of the newspapers. It was only three and a half months in the mayor's administration when this breach came, and it resulted in disclosures which partly removed the mask which concealed most of the mayor's acts.

The newspaper charged that one of the first acts in the mayor's administration was the payment of a large fee to a lawyer, the value of whose services were far from meriting the fee in question. The lawyer had been engaged by the city and the state prior to the mayor's administration to recover the taxes levied against large corporations under a new law which had

been enacted. *The mayor denied that he sanctioned the payment of the fee, but the indisputable proof was that the signature of his clerk alone validated the warrant that had been issued for \$48,000 in payment of the lawyer's fee.* The clash with this newspaper opened up channels through which the mayor's character was further exposed. These channels produced information with regard to the mayor's eccentric past, and during the rest of the administration his actions were closely scrutinized. He had not gone far in office beyond this, when a shocking incident occurred. The mayor was shot down as he boarded the steamer for a sudden departure abroad.

In line with the mayor's erratic conduct, he had declared when he entered office that he would personally listen to the grievance of any man employed by the city, or any citizen. He had undertaken to act on various complaints brought by citizens, most of which related to the abuse of power by the city's police. The mayor had caused those police officials against whom complaints were lodged, to be tried and dismissed from their positions. The fact that most of them were restored to duty subsequently and that they recovered pay for the time they were out of employment, was not extensively commented upon by the daily newspapers which still applauded the mayor's every official act.

The mayor was shot by a man of middle age, who had been dismissed from one of the city departments, who charged that his dismissal was unjust and who sought redress from the mayor. His attempts to see the mayor were unsuccessful, and his inability to find employment or to obtain reinstatement in his position finally unbalanced his mind. In his madness, he held the mayor responsible for his plight, and his attempt on the mayor's life was provoked by the announcement in the morning newspapers that the mayor intended sailing that day.

The shooting resulted in disclosures with regard to the mayor's conduct in office which were not apparent to the general public because of the *faithlessness* of the newspapers and of their *self-interest* with the city government. No sooner was the mayor stretched on his convalescent couch than it was disclosed that flagrant corruption existed among the city's police. One of the best evidences of this was the fact that the city's most popular summer resort harbored only the most vicious characters and that vice flaunted in the public concert halls and in other public places at the resort. From a knowledge of past events in police matters, it was conclusive that blackmail was paid to the police under such circumstances. The commissioner of police at that time had been a subordinate under the previous administration. He was elevated to the commissionership when his predecessor in office was removed at the instigation of the mayor himself while the latter was a jurist. *The jurist-mayor continued the new commissioner in office in spite of repeated accusations that the police department was flagrantly mismanaged and that the blackmailing of law-breakers was common.* It was under this police commissioner that the conditions referred to were disclosed after the mayor was shot. In spite of the disclosures, however, the mayor declined to remove the commissioner and continued him in office until the resignation of a subordinate forced the mayor's hand and the commissioner was compelled to resign. The subordinate, who was the first deputy police commissioner,

charged that he could not retain his self-respect and remain in the police department. His resignation, which threatened a scandal in the city's management, resulted in the retirement of the commissioner who was promised another position in the city's service.

It was shortly after this event that another disclosure followed which again revealed the hypocritical conduct of the city's chief executive. He had recovered from the attack made on him by the madman who sought reinstatement to his position and he also overcame a large measure of the popular distrust which followed his conduct in previous police matters. He was again enjoying the friendly support of most of the newspapers. It was toward the fall of the mayor's first year in office, that a legislative inquiry was begun into the circumstances surrounding the attempt to defeat the bill previously enacted into law, which prohibited race-track gambling. It was discovered that during the period when the bill was before the legislature that the mayor's young protege in the practice of law had been active to defeat the measure. It had also been charged that the defeat of the bill was accomplished in the first instance by the use of a large corruption fund and that the only reason that the bill finally became a law was that the corruption fund raised to defeat it a second time was misapplied. *The legislature had appointed a committee to investigate the accusation made by a former legislator that the mayor's law associate had directed the use of the corruption fund and that he had withheld part of the fund.*

No sooner did the legislative committee begin its formal investigation by summoning witnesses, than the mayor's protege vanished from the city. He had purchased a house-boat and had sailed away on a cruise, though he at that time occupied a responsible position in the city government. He was away more than two months, while the legislative investigation continued, and it was at this time that another event happened which only further tended to awaken public interest in the management of the city's affairs. The mayor's protege was custodian of the city's funds at the time of his departure on his house-boat, and it was during his absence that one of the banks containing a large deposit of city cash became bankrupt. *The bankruptcy disclosed that city funds to an amount far in excess of safety were deposited in this bank because of the relationship which existed between the principal bank directors and the mayor's protege. In fact, it was revealed that just before the bank failed, the protege directed that a large part of the city's funds in another bank be transferred to the failing institution to help maintain its credit.*

One disclosure followed another at this time and the newspapers began to ask "where is the city's missing official?" His whereabouts had been concealed, and even the mayor pretended not to know where he was. He asserted more than once that his protege was ill and that the newspapers were uncharitable in urging that he be compelled to return to his position in the city government. It was apparent that he remained away to avoid the inquiry of the legislative committee. His return to the city was followed by his indictment and he was subsequently convicted on the charge of conspiracy in that he had compelled a transfer of a large deposit from one bank to the institution whose solvency was threatened, and that the transfer was

made under threat and under promise that another deposit of city's funds would be made. It was also revealed that city funds were deposited in various banks almost simultaneous with the lending of money by these banks to the institution which afterward became insolvent. The conviction, however, was subsequently reversed on the law and on the arbitrary rulings of the court. Following the indictment of this official, his resignation was demanded by public opinion and he remained out of office until after his trial and conviction. There was talk of his reinstatement after the court reversed the conviction, but no such step was carried out during the remainder of the mayor's term in office.

This was in brief the main developments which followed in rapid succession and which tended to throw a sharp light on some of the previous acts of the mayor's inscrutinable career. It was while he was a candidate for mayor that the jurist won public applause by his trenchant assaults, both in speeches and in writing, against the city's traction manipulators who had robbed the people out of many millions of dollars by stock manipulations and otherwise. The mayor had written a bitter denunciation of the crimes of these "traction looters" and his fame as an "independent and fearless" jurist was almost confirmed by this exposure of the villainy of these traction "rascals." It might be said by way of parenthesis that the mayor added not one additional fact to the general public knowledge of the crimes of the traction magnates; *he merely paraphrased what had been written in the testimony and records of an official investigation.*

It was expected that the mayor would at least conduct himself toward the perpetrators of these traction villanies, just as he expressed himself in his "daring" article. But the traction "looters" knew the man better than did his readers. *They were satisfied that he would be as useful in their service as their best paid attorney, and in this expectation they were not disappointed.* The mayor had made himself popular for the time being through the publication of his traction article which appeared six months before the mayoralty election and two months before his attack upon the police commissioner in behalf of the "poor persecuted boy." The combination of applause which followed both the article and the heroic defence of the "innocent youth," contributed to his election as mayor.

The Traction Trust reckoned well their man. The city had built one subway line at an expense of approximately \$50,000,000 at the time the jurist was elected mayor and it was planning to construct underground railroads at a cost of several times the original investment. In fact, just prior to the jurist's nomination for mayor, he appeared at a meeting of taxpayers in one part of the city and denounced the waste of public funds by the construction of a subway line where the investment would not pay. The subways which were already in operation were bringing in large revenue to those who were operating them, but the city's share was only interest on the amount invested and one per cent. as a sinking fund so that the bonds might be redeemed at the end of fifty years. This arrangement had been denounced by the jurist and by others, *and the jurist himself had charged that the city's interests were betrayed in the subway venture to the profit of the political "boss" who lived in idle luxury abroad.*

It was not expected, therefore, that the mayor would himself engage in any such unprofitable venture for the city. His whole denunciation of the "traction looters" was in itself accepted as a guarantee that he would conserve the city's interests in all future subway ventures. His was the last betrayal that might be looked for, and the people looked to him to support their interest and to restore the city financially. The city's security was threatened because of the continuous assaults on the public treasury and because of the continuous waste of public funds through inefficiency and mismanagement.

*The hope of the people, however, was sadly disappointed. The failure of the mayor and his associates in office to safeguard the city's interest in the final subway negotiation, hastened the city's financial end.*

## CHAPTER XXII.

### THE CLIMAX OF THE CITY'S MISMANAGEMENT WAS REACHED WITH THE ACCEPTANCE OF A SUBWAY CONTRACT WHICH DRAINED THE CITY'S LAST RESOURCES AND WHICH MEANT PROFITS OF UNTOLD MILLIONS TO PRIVATE INDIVIDUALS

It was expected, when the new "reform" administration went into office, that the first step that would be taken to save the city money and to forestall the bankruptcy which threatened, would be a large reduction of the cost of administration in every city department. A point had been made throughout the municipal campaign, that 25 per cent. of the total sum paid in salaries annually was wasted and that at least 50 per cent. was squandered in the purchase of supplies by the various city departments. The city had on its departmental payrolls about 80,000 regular employees, all drawing fair salaries. Some of them were paid more than others for the same service rendered and many were paid more than they would have received for corresponding service from a private employer. Some city stenographers were receiving \$40 a week, while others were receiving a little more than half that sum. On the other hand, some of the ambitious city employees might have earned more money in private employment than they received from the city.

The city's chief financial officer testified before a legislative committee that at least 25 per cent. of the \$80,000,000 paid annually in wages and salaries to city employees could have been saved and that fully 50 per cent. of the total sum spent each year for supplies was wasted. In other words, the city's chief financial officer testified under oath that \$20,000,000 of the \$80,000,000 distributed in salaries was wasted each year as was, \$12,500,000 of the \$25,000,000 spent annually for supplies. The failure of the new administration therefore to order a reduction of at least ten per cent. in the annual cost of each city department was surprising to those who had followed the course of the campaign. The trend of all campaign pledges and arguments was a reduction in the cost of government to save the city from financial embarrassment.

Under the system of government existing in the city, the people's money was spent by a group of city officials who composed the city's financial board. This board consisted of the mayor, the city's financial officer, the president of the city's common council and the heads of the various city boroughs. Every one of these officials was elected to office on the pledge of economy, with the expectation that this pledge would be fulfilled. The financial board was divided politically and in this division there was hope of financial retrenchment.

In the beginning efforts were made to economize. In one or two of the

city's boroughs some unnecessary employees were dismissed, and the assertion was made that some of the dismissals were due to politics. This accusation, however, was not accepted by the public because of the general desire for a reduced cost of government. Instead of economy by a reduction in the number of city employees, such as the public had been led to expect from campaign utterances and from the testimony of the city's financial officer previously cited, the city's payrolls soon began to swell. Where a useless employee was actually dismissed from one department, his name was added to the payroll of another department and the transfer meant no relief to the taxpayer. The net result was that *the city's salary roll was not reduced*. It soon became apparent, instead of a reduction in the number of city employees, only an increase resulted. *In one borough office, the payroll was actually lightened by the dismissal of a score of scrub-women who had been employed to clean city buildings. The economy thus effected was more than overbalanced by the employment of a single individual at a salary larger than the meagre wages paid to all the scrub-women. Thus was economy served by uneconomical management.*

There were numerous projects pending for the expenditure of public money when the new administration went into office. The mayor elected to head the "reform" administration, sharply criticized his retiring predecessor because of the fact that the city's debt margin had been reduced to the minimum of safety at the expiration of the predecessor's term of office. The city's debt margin was less than \$25,000,000, which meant that in an emergency such as plague, famine or fire, the city would be able to borrow only up to that sum for immediate use. Under the state constitution the city's outstanding indebtedness could not exceed ten per cent. of the assessed value of its taxable real estate. It was within \$25,000,000 of this limit when the retiring administration went out of office and the "reform" administration succeeded. It was expected therefore that only the strictest economy would be observed during the succeeding four years. The city's interest burden was growing at an alarming rate because of debts contracted during preceding administrations and because of commitments for future expenditures which could not be repudiated. One of the largest of these commitments was for a new water system at a cost of \$165,000,000. Other large expenditures were needed for such purposes as new subways, docks, new school-houses, etc. Every economy therefore was expected from the city's new administration.

At the time the new administration went into office, the annual budget for administration expense was \$165,000,000 and the city's outstanding indebtedness was \$845,000,000. The new commitments for subways, for water, for docks and new schools were expected to bring this total indebtedness up to \$1,000,000,000, and this expectation was more than fulfilled. *Not only was the funded indebtedness increased to one billion dollars, but more than \$150,000,000 was added to this amount. The annual budget for administration expense was raised \$30,000,000 during the four years of the "reform" administration. It was this achievement of "economy" which brought the city to its financial end.*

At the beginning of the "reform" administration the city had outstanding water bonds totaling about \$100,000,000 and bonds for the underground

railroad totaling \$75,000,000. During the succeeding four years, when "economy" was imperative, the total outstanding bonds for water purposes increased \$60,000,000 and \$25,000,000 more of rapid transit bonds were issued, making a total of \$100,000,000 of rapid transit bonds outstanding. The significance of this is that bonds for these two purposes (water and docks) totaling \$260,000,000, were entirely exempt from the operations of the debt limit, *though they were of course included in the total of the city's outstanding indebtedness on which interest was continually paid.* As previously stated, the city was able to borrow on bonds a sum not exceeding ten per cent. of the value of all its taxable real estate. This ten per cent. was exceeded by more than \$300,000,000 and was only reduced to the legal margin by the subtraction of the total amount of bonds held in the city's sinking fund. The sinking fund at the end of the "reform" administration exceeded \$300,000,000 on which interest was constantly paid until the life of the bonds ran out or until the bonds were redeemed. These bonds, like the other bonds outstanding, were issued to run for various periods of time up to fifty years.

The economies in city management that were expected, however, did not come. Instead of a reduction, the city's annual budget for administration was increased \$10,000,000 in the first year of "reform" and "economy." *The city's bonded indebtedness increased \$110,000,000 during the first thirteen months of the new administration, and \$80,000 was added to this sum during the remaining three years.* More bonds were not issued, *not because retrenchment or economy was intended, but only because the city's debt margin was absolutely exhausted.* Besides the total of \$190,000,000 added to the bonded indebtedness during the four years of "reform" and besides the total of \$35,000,000 added to the annual budget expenditures during the same period, an additional obligation of \$165,000,000 was entered into for new subways. *The city had no such margin to its credit, and this gigantic expenditure was only possible through the expansion of the city's borrowing margin by the exemption of dock bonds totalling \$70,000,000.* *Up to this time every bond outstanding that could be classed as self-sustaining had been exempted by previous administrations.* At the time this subway venture was undertaken, the city had only \$80,000,000 to its credit for borrowing purposes, and this credit was made possible only by an increase in real estate assessments of more than \$900,000,000. The total increase in assessments, to be exact, was \$932,000,000, and this enabled the city to borrow \$93,200,000 additional. Assessments on city real estate on which taxes were levied, had been increased an average of 12 per cent., to make this vast expenditure for subway purposes possible. *The increase had resulted in the overassessment and the overtaxation of property, but the bulk of the increases was made in the first year of the "reform" administration, when public confidence in the new administration was at its highest point.* *In that year a total of \$720,000,000 was added to the assessment figures.* The exemption of the \$70,000,000 dock bonds and the increased assessment on city real estate together, made it possible for the city officials to enter into this extraordinary subway venture, and this was not done until the last year of the "reform" administration.

During the three years that the terms of the new subway contracts were under discussion by the members of the city's finance board, various opinions

were entertained by the members of that body with regard to the terms proposed by the railroads desirous of operating the new subway. *The subway that was in operation at a total cost of \$50,000,000 to the people, was producing a revenue of 40 per cent. to the operating company. The operating company had originally capitalized itself for \$35,000,000, though its actual investment was less than half this sum. In order to disguise the net profits on its capitalized stock, it exchanged the stock for bonds of the consolidated company which took over the joint control of the subway, elevated and surface lines. The stock in the subway company was sold to this consolidated holding company for twice its original value, the holding company becoming bankrupt and going into the hands of a receiver a few years later. Such financing was naturally to be avoided in the new subway venture.*

Though the city had undertaken to spend \$165,000,000 for these new subways, its officials had actually engaged in an expenditure of twice that sum for subway purposes, the total cost of the new subways, for whose operation the contracts were let, exceeding \$330,000,000. It required a dozen years of deliberation for the city to engage in its first subway venture at an investment expense of \$35,000,000. *In less than three years the new city officials elected on a "reform" program for the purpose of economy, arrived at a definite conclusion on a subway investment approximately ten times as much, of which the city's share of expense was to be one-half.*

The deliberation over the terms of the contract divided the city's financial board sharply. The city's financial officer, the chairman of its common council and the head of the city's most important borough, were originally opposed to terms proposed by the operating subway company. These terms included the construction of two branches to the existing subway in two of the city's boroughs and of several branches in other boroughs, all of them to be operated by the subway operating company *on a guaranteed income basis*. The company was making 20 per cent. profit on the inflated capitalization of the subway that was in operation, and it demanded that for every dollar of its own money invested in the new subways, that the city should guarantee a return to the company of a profit proportionate to that which it was earning on the existing subway, that profit to be extended over the present and the new subway. It also demanded that interest on the bonds issued by the operating company for the money which it proposed to raise to invest in the venture as the city's partner, be deducted from the income of the new subways, *before a single dollar of the earnings is extracted to pay interest on the city's own bonds*. In other words, the indecent crowding on the existing subway, out of which the 40 per cent. dividends was earned, was to be capitalized under the new subway contracts, so that the same ratio of earnings would be extended to the additional private capital invested in the new subways. Under this contract, which was accepted by the city officials in spite of animated and vigorous opposition on the part of the public, *one member of the city's rapid transit board estimated that at the end of the 50-year term of operation provided for in the contract, that the city's return under the contract would be a deficit of \$85,000,000.*

The proposition to guarantee the operating company's earnings on the basis of the profits of the existing subway was made by the railroad company

itself and was vigorously resisted by the three members of the city's financial board referred to. *They declared that they saw no reason why the city should guarantee such exorbitant profits on the new subway venture, especially since those profits were made out of indecent subway crowding.* There were other conditions in the proposal to which the same city officials objected. For many years the city's elevated railroads, privately operated, were anxious to third-track their lines *at their own expense.* They were prevented from doing this by judicial intervention on the legal objections of property owners along the line of the railroad. Under the terms of the contract proposed by the operating company to the city officials, *the city was to allow the same percentage of profit on the new capital invested in the third-tracking and equipping of the elevated road and for their extension, as was derived from the operation of the elevated road up to that time.* In other words, instead of venturing their own money for the improvement and extension of the elevated road and risking the profits on the private venture, the proposal was that the city should guarantee the profits on this investment of approximately \$75,000,000, including the cost of additional equipment.

*It was realized for many years that the profits on public franchises in the city were swelling the fortunes of a group of men far beyond what it was possible for them to acquire through any other means of financial operation.* In the earlier days of the city's history, the largest private fortunes in the city were made out of public franchises for the operation of public ferries. Similar large fortunes were made out of franchises for the manufacture and distribution of gas and electric current throughout the city. *The largest fortunes derived from public franchises, however, were made within a dozen years of the city's bankruptcy out of the operations and manipulation of the street railway companies.* The city had chartered a great many of these companies which operated in different sections and in different streets, and just before the first subway was opened for traffic, all these separate surface railway companies were brought together under the same management. This combination was effected through various stages of manipulation, whereby millions upon millions in stocks and bonds were issued to represent the value of the consolidated properties. This manipulation of the securities of these railways continued until a total of \$250,000,000 was piled up. *It was on this vast pyramid of "capital" that the earnings of the railroad were expected to provide dividends sufficient to make the stock of full market value.*

The strain on the railways' income was too great to sustain this mountain of securities. Those who engineered the manipulation of the railway securities and who inflated the capital to such gigantic proportion were aware of the inevitable collapse of the pyramidal structure. *They were prepared for the failure and when it came they were clear of any holdings in the inflated railway system. They had derived all the profits of operation through "inside" jugglery and they had also derived untold millions of dollars through the sale of these inflated securities to the general public. When the collapse came, they were able to figure their profits in the tens of millions each, and the public was left mournful victims of the spoliation by the traction "looters."* This word had been used by the mayor of the city in an article which he wrote when he was still a jurist, to express the criminal conduct of those

who engaged in this traction fraud and who profited at the expense of the people. *It was expected of course that, as mayor, he would exert his mightiest endeavors to prevent a repetition of the exploitation of the people in the new subways.*

For many years the agitation grew for city ownership, control and operation of public utilities, so that the profits on public franchises would revert to the city. *It was estimated that approximately \$50,000,000 a year was garnered by private citizens to whom these franchises had been granted.* Several years before the city's failure the campaign for the election for mayor had been waged solely on this issue, and so general was the desire for municipal ownership and operation of public utilities, that *the majority of the people voted for the candidate pledged to this program of public ownership.* The result of the election, however, was frustrated by the manipulation of the ballot, the municipal ownership candidate being defeated on the official returns by less than one half of one per cent. on all the votes cast. It was obvious, however, that the people realized that the only way the burdens of government could be lifted was by the recovery of profits on public franchises by the public itself.

***In the face of all this, and in the face of the fact that the city was virtually bankrupt when the "reform" administration went into office, THE FINAL STEP WAS TAKEN IN THE RUIN OF THE CITY, WHEN THE CONTRACTS WERE SIGNED FOR THE OPERATION OF THE NEW SUBWAY.*** The city debt had piled up so enormously that the interest charges were staggering. The annual budget for administration reached nearly \$200,000,000, including interest charges, and the tax rate on real estate was up to two per cent. on the full valuation of property. Real estate could not be sold for the price of the assessment on which taxes were levied, proving that assessments exceeded actual value. Under such conditions, the city's annual budget could be no further increased, the city's borrowing margin could not be expanded because decreases were demanded in excess valuations, and the city was stranded where its expenditures exceeded income.

Under such conditions, nothing but bankruptcy stared the city in the face in spite of the pledges of "economy" on which the "reform" administration had been elected to office four years previous. The mayoralty election was fast approaching and the people still retained the hope that a new administration might save them from the overwhelming fate which threatened. The smaller wastes and squanderings of the public funds during the preceding three years were lost sight of in general anticipation of doom which pended. The city's entire income for more than a generation was pledged to the traction interests through the inequitable subway contract, and there was only a lingering hope that some way might be devised to avoid the calamitous result expected. The people aimed to elect a mayor and a financial board which would find a way out of the difficulty and to recover for the city not only a fair share of the profits on the new subways, but also profits on all city franchises which brought millions of dollars annually to private individuals.

## CHAPTER XXIII

### THE REFORMERS CONSPIRE TO "SAVE" THE CITY.

The campaign which followed produced an anomalous situation. There were many candidates of the "reform" type eager and anxious to "save" the city, and there was the usual citizens' committee launched to provide candidates for the people. "Keep the politicians out of office" was the cry of the leader of this committee, a young man of ethical training who assumed the rôle of civic rescuer. His activities in ethical and social reform brought him into close contact with one of the city's leading bankers who derived large profits out of the city through the sale of its bonds. The ethical culturist was not without political self-interest, for no sooner were the candidates of his committee elected to office four years previous, than he secured employment for one of his family in the office of the prosecuting attorney.

The host of "rescuers" that followed the banner of the ethical leader was recruited from various walks of life and from the city's geographical parts, after approved political fashion. The nucleus of this group was supplied by one of the city's most conspicuous "reformers" who occupied responsible public office and who aspired to the mayoralty. This worthy official had also aspired to the governorship of the state the year preceding, and his efforts to obtain the nomination led him to the home of the city's most noted politician—the leader of the dominant political party—whom his associates publicly condemned. THE FACT THAT HE WAS CHIEFLY INSTRUMENTAL IN AWARDING CONTRACTS FOR THE OPERATION OF THE NEW SUBWAYS ON TERMS THAT MEANT CERTAIN BANKRUPTCY TO THE CITY, WAS ONLY ADDED INCENTIVE FOR HIS PRESENT AMBITION. Some of the newspapers urged his selection on the ground that work on the new subways was already under way, making no reference to the gross inequality of the contracts from the public point of view. Our worthy candidate was therefore well favored with newspaper support.

For several months before his candidacy was announced or before the nucleus of the new citizens' committee was made known, con-

ferences were held by various interested persons who assured the candidate of financial support. The candidate himself had previously been in the pay of one of the leading railroad corporations in the office of its chief counsel, and he had served as the head of a quasi civic organization, from which position he was elected to public office. THE FACT THAT HE HAD EXPENDED TWICE AS MUCH AS HIS PREDECESSOR (EIGHT MILLION DOLLARS) DURING A PERIOD OF FOUR YEARS ON STREET PAVING, was used by his friends as an argument in his favor. Had he not filled up the holes in the public streets, they advanced. It was not disclosed by them that one of the chief beneficiaries of this paving extravagance was the candidate's intimate friend, who contributed liberally to his campaign.

Our ambitious "reformer" was of aesthetic mold and he achieved noteworthily for the people. He had, in the face of an ever-rising tax rate and in spite of all other public extravagances, developed a plan for a new "civic center," and he proposed the construction of a new court house at a cost of many millions of dollars, as the artistic hub of this civic design. The old court house occupied a part of the city's park behind the city hall and this structure was to be replaced. A new site was chosen by the city's financial board under the spur of our worthy "reformer," in spite of objections by other members of the board. The public generally believed that a new court house was needed, but it did not approve the selection of a new site when an adequate structure could be erected on the site of the old building.

The question of site was originally determined by a group of prominent citizens who composed the court house board created by an act of the state legislature, and who recommended that the new building be erected on the old site. It was even proposed to enlarge this site in the park to include an adjoining minor court house. This proposal was endorsed by those who aimed to improve court facilities without undue cost to the taxpayers, and the recommendation was accepted by the judges who were to occupy the building. It was not acceptable, however, to our noteworthy "reformer," whose scheme of "civic center" was not aided thereby. The park area is sacred and must not be infringed even for a temple of justice, he ruled. The fact that the particular park in question was surrounded only by tall office buildings and was used for recreation only a few moments each day by those employed in the vicinity, was no argument against his decision to exclude the court house from the park.

The objections of the park "defenders" prevailed. They succeeded in overcoming the recommendations of the court house board, though it was conclusively shown that another site for an adequate structure would cost several million dollars and that the city was unable to afford the expenditure. An adequate structure on the old site could be erected for less than ten million dollars, while a new structure on a new site would cost twice that sum because of the temptation to architectural extravagance. The recommendation of the court house board was rejected, and a new site chosen by the city's responsible officials at a cost of more than six million dollars. A design for an elaborate structure was selected, but before the building could be erected it was discovered that the site was wrongly located, the soil being too soft for an adequate foundation. A second site was selected adjoining the first at an additional cost of six million dollars, but the court house was never constructed because the city became bankrupt. The city lost five hundred thousand dollars a year interest on the bonds issued for both sites, besides two hundred thousand dollars a year taxes, and both sites were acquired at three times the value at which they were assessed for taxation, the assessment being presumably "full valuation." The city paid a large part of the architectural fee of six hundred thousand dollars before insolvency was reached.

Our aesthetic official devoted a large part of his time in office ministering to the welfare of the city's poor, and he provided generously for their health and recreation. He laid out a row of grass plots on one of the city's most crowded thoroughfares and surrounded them with high picket fences costing many thousands of dollars. The cost of this "improvement" was borne by the taxpayers who owned the property along the street. One of the parcels acquired for park purposes by our worthy official was a strip of sandy beach at one of the city's seaside resorts, which was purchased for more than two million dollars. Half of this parcel consisting of seven acres, was owned by a conspicuous land speculator who had become an intimate friend and associate of the youngest member of the city's financial board, the remainder being owned by a railroad and by a former client of the then mayor of the city. The beach owned by the land speculator had been occupied as an amusement resort, but the resort was burned and the insurance was collected by the title company which owned the mortgage. It was urgent that the city buy the property so that some value might be created for the million

dollars of bonds that had been issued by the amusement company. The land speculator and his associates retained the most valuable part of the property for themselves and sold the city the balance, which was littered with debris. The city paid thirty thousand dollars to remove the debris and the land speculator and his associates derived a rental of two hundred dollars a front foot for eight hundred feet of property on the main thoroughfare, which they retained.

Some of those who urged the purchase of this parcel by the city were conspicuous as social workers while others were "leading" citizens. It was easy to trace the motives of some of them and it was also easy to trace the inspiration of newspaper articles endorsing the project. At least one newspaper editor was well supplied with bonds of the amusement company, while others were suspected of owning a fair share of these securities. The city had an area of sixty-three acres of beach front adjoining the parcel which it acquired and this area could have been reclaimed for public use from the water which washed over it, for one-tenth the cost of the fourteen acres purchased; but no effort to accomplish this was made by a single responsible official. The city paid six per cent. interest on the full amount of the award for the fourteen acres for several years and it lost taxes on the parcel from the moment it acquired title. This was the usual result with all property acquired by the city, the accumulative effect hastening the city's end.

Our worthy official was particularly active in inducing his associates in the city's financial board to acquire another parcel of beach-front at another seaside resort. He had joined with them in acquiring the parcel just described and he led in urging the purchase of this other property, which consisted of two hundred odd acres of sand dunes and marsh, fifteen miles from the congested part of the city. The round-trip fare to a point two miles from the property was forty cents, and it was necessary to engage a conveyance in order to ride to the property. It was obvious that this parcel was not available for the city's poor unless free transportation was provided, and this could not be done except at high cost. The parcel cost the city one million, two hundred and fifty thousand dollars plus interest at six per cent. for several years, and no sooner was the property acquired than part of it was turned over to a private society for a hospital pavilion, to which none but patients of the society were admitted. The public, especially the poor for whom the "park" was presumably purchased, did not enjoy even a breath of fresh air on its sands before the city

became bankrupt. A few years before the acquisition of this parcel, the city had been offered the same area plus one hundred and sixty acres adjoining (almost twice the area acquired by the city) for two hundred and fifty thousand dollars LESS than what the city actually paid, the entire tract having been purchased by the speculators who sold the city part at double the price they paid for the entire tract.

Another noteworthy enterprise of our aesthetic official with taxpayers' money, was the acquisition of another parcel of property overlooking the river which divides the city. This parcel was owned by another group of land speculators who were anxious to dispose of it. The property had been previously offered to the city and the offer rejected, the city's experts appraising its value at six hundred thousand dollars. A mortgage for eight hundred thousand dollars was subsequently placed on the property and when it was again offered, the amount of the mortgage was pointed to as an index of its value. "The city should buy the park for the poor" again urged our worthy official who forever served the welfare of his fellow-beings. The fact that the property was situated on a bluff overlooking the river and that it was **inaccessible** to the city's poor, was no obstacle to its purchase. The city already owned an extensive park on the opposite side of the river in a congested part of the city and this park was well patronized, but there was no prospect of congestion near the newly-acquired park-area for half a century. In spite of this fact its acquisition was urged as imperative, and one million, three hundred thousand dollars was paid for the parcel which was unused up to the time of the city's collapse. Streets had been cut through the property to make it attractive for the sale of lots and it was at lot, not acreage price, that the city bought it. The property could not be converted into a park except at large cost.

It was on top of all this mishandling of the city's affairs, that our worthy official sought elevation as mayor and his aspirations were aided by those who profited from the city. They had found their aspirant of service in their enterprises and they aimed to reward him by political advancement. The people were asked to repose the fullest confidence in the committee which originally consisted of seven of the candidate's most intimate friends. This number was later increased to thirty-five and then to one hundred and seven, a majority being maintained throughout in the interest of the aspiring candidate. Eschew political candidates, the committee advised the people ; select only those designated by us. At the same time, the

committee was arranging for the endorsement of its candidates by one of the two leading political parties, the combination being launched as a "fusion" of all the saintly in and out of politics.

The first part of the program, the formation of the committee, was worked out by our aesthetic friend with satisfaction. The committee was organized in his favor and his friends urged that he alone was worthy of the office of mayor. His qualifications were pre-eminent, they explained. Had he not consecrated himself to the public welfare during three and a half years of office? Had he not provided parks and new subways? No mention was made by these exhorters of the prices paid for the parks or of the terms of the subway contracts. IT WAS THIS OFFICIAL ALONE IN THE SUBWAY NEGOTIATIONS, WHO INJECTED A PREFERENTIAL CLAUSE GUARANTEEING THE OPERATING COMPANIES SUFFICIENT PROFIT TO PERPETUATE ALL THE INDECENT CROWDING ON THE EXISTING SUBWAY AND ELEVATED LINES, EXTENDING THE INDECENCY TO NEW LINES WHOSE TRACKAGE WAS THREE TIMES AS GREAT. THE INEQUITABLE TERMS OF THE CONTRACTS MEANT A CLEAR GIFT OF TWO HUNDRED MILLION DOLLARS OUT OF THE POCKETS OF THE PEOPLE TO THE SUBWAY OPERATORS AND SUBORDINATED THE CITY'S CREDIT TO THAT OF THE PRIVATE OPERATING COMPANIES.

Our aesthetic, though ambitious official was not alone in the field for mayor. His friends on the committee had managed his interest well though other candidates developed, and in order that partiality might not be charged, the committee was unable to check the rise of new aspirants, one of whom was the public prosecutor who had gained great favor with the people. His selection was also favored by some newspapers and financial powers, and his candidacy was encouraged by unpledged members of the committee, some of whom regarded his choice from a selfish point of view.

Politics makes strange bed-fellows and our ethical leader of the citizens' committee was under obligation to the prosecuting attorney for providing a berth for his relative in office. He was also champion of our aesthetic aspirant, and when the time for a choice of candidates arrived, he boldly urged the selection of the latter for mayor. A fact which may have moved his decision was the personal antipathy of his powerful financial friend toward the public prosecutor. At any rate,

the latter was not chosen and a deadlock resulted. "We must choose the man best fitted for the place urged the ethical culturist. "Your man cannot win" retorted the supporters of the prosecuting attorney. In this situation, another candidate developed, and while the two leading aspirants barred each others way, the new candidate was accepted as a convenient compromise. Qualifications no longer ruled; expediency prevailed. The successful candidate at the time of his selection was in charge of an important federal office in the Great City.

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FRIDAY, MAY 5, 1912

## CAN NEW YORK CITY'S REAL ESTATE SURVIVE

## THE STRAIN OF THE NEW \$325,000,000 SUBWAYS?

Assessments and Taxation are now at Their Highest Point and MUST Be Higher Because of the Gigantic Expenditure WITH OUT Return for at Least Ten Years— Read the Facts and Decide For Yourself If the Contracts Should Not Be Restricted to Avoid Extraneous Results to Property Owners.

**Solitary Contract Guarantees Preferential Payment to  
the R. I. Large in EXCESS of Earnings—New York City  
will NEVER own Brooklyn Elevated Lines as Public Properties**

Public Service Commission, May 5, 1912.

SATURDAY, MAY 12, 1912

## THE CITY'S NEW SUBWAY CONTRACTS MUST BE MODIFIED TO SAVE PROPERTY OWNERS FROM RUIN

## CHAPTER XXIV

### THE "REFORM" CANDIDATES WERE ELECTED AS A REBUKE TO THE POLITICAL POWER THAT IMPEACHED AN UNWORTHY GOVERNOR.

The candidate selected by the citizens' committee for mayor was a young man not far in his thirties, who had previously served the city in a responsible capacity. He had been a member of the city's governing board and was temporarily head of an important branch of the federal government. He had served the city in an inquisitorial capacity and had earned the distinction of being a fearless investigator. He had advanced in official importance at the mayoralty election four years previous and was again restlessly active for political preferment. He realized that those who presented themselves for the mayoralty before the citizens' committee were men of ordinary clay and he aimed to brush them aside at the decisive moment. His friends aided him in this plan, and he was urged on the committee as the candidate of the leading political power in the nation. He had served a few months in federal office, and though he accomplished nothing of value, he succeeded in extracting large advertising out of the position. He was in receipt of a salary more than twice that of his previous employment by the city, and his friends considered him particularly fortunate in his new position. It was obvious that the young federal officer enjoyed his responsibilities since he devoted most of the summer during which he held office, to recreative pastime.

He had reached the determination after a few weeks in office, that the method of work of his several hundred subordinates was defective and needed complete "reorganizing," and with this end in view he appointed a staff of "efficiency experts," chief of whom was a person who had served in similar capacity with the federal government under the preceding administration. The work of this "expert" and his staff for the federal government lasted many months and cost a quarter of a million dollars, and when a summary of new work was submitted to the federal legislature, the services of the "experts" were discontinued. Their program involved the expenditure of an additional million dollars, and the legislature decided that sufficient public

funds had already been wasted on delusive "reform." This decision in no way affected the determination of the new federal official whose passion was "efficiency." His chief "expert" was engaged at fifty dollars per day and he permitted the latter to engage a staff at from fifty to two hundred dollars a week each, the total cost of the efficiency squad being about two hundred dollars per day. One of these "experts" at six thousand dollars per year, was a young man who had served as secretary to the head of one of the city's departments and whose chief function in office seemed to be to fulfill his own social obligations. He was afterward re-employed by the city, and his services were discontinued because he neglected the city's business.

The young federal official announced with joy that he would institute "efficiency and economy" in the public service with the aid of his new "experts" who had not devoted a single day to the work of the office prior to their employment. Fortunately for the employes of the federal department the restlessly "efficient" federal official was selected as candidate for mayor, thus altering his plan of reorganization. His successor in office did not endorse his program and discontinued the work of his squad. The selection of the young candidate for mayor, also disclosed the greed inherent in some political "reformers."

Our aesthetic official who had instigated the organization of the citizens' committee, had jockeyed himself out of first place in checking the rise of the popular prosecuting attorney, and he provoked retaliation by those who favored the latter. They charged him with political insincerity and with extravagance in office; they also charged him with incompetency, though his friends pointed with pride to his "achievements." It was discovered that while his friends were making capital of the political sins of former office-holders belonging to the dominant political party, our worthy candidate was seeking the support of influential members of that organization for his own candidacy.

The "reform" ticket was elected and our aesthetic official was second in importance to the young mayor who strangely enough had vigorously condemned him during the preceding three years over the terms of the subway contracts. The young official had charged that the contracts were destructive of public interest and that the city would be greatly injured if they were accepted. Nevertheless, after all the discussion of the contracts was over and after he had stumped the city in a campaign of personal opposition to their terms, HE VOTED FOR THE APPROPRIATION WHICH MADE THE

**CONTRACTS VALID.** This act was not understood by the people who regarded his conduct as strongly in their favor. It was not strange, therefore, to see these two apparently violent subway antagonists, candidates for office on the same platform.

Our aesthetic official was regarded by his friends as vastly superior to the young mayoralty candidate in point of public service and they accepted his subordination on the ticket as a noble sacrifice which the public would appreciate. They extolled his patriotism and his public virtue, but as a practical politician grabbing for office, our worthy candidate realized that it was better to be a small toad in a big puddle than no toad at all; and besides, would he not soon outshine the young mayor himself? Such was the consoling hope of his friends who yielded to the exigencies of politics.

The campaign awoke the people to a keen interest in the achievements of the candidates selected by the citizens' committee. They had read a great deal for several years of the public activities of the leading candidates; and the subordinate candidates, most of whom were former office-holders, were also well advertised. It was not likely, therefore, that the candidates would suffer for lack of newspaper support; the public being swayed largely by the newspapers. When it was charged that the "reform" candidate for mayor and two of his associates on the ticket purchased the ocean-front properties to aid their friends rather than to benefit the people, the accusation was not believed or accepted. **ONE OF THE REAL ESTATE SPECULATORS WHO PROFITED LARGEST FROM THESE TRANSACTIONS WAS THE BOON COMPANION OF THE YOUNG MAYORALTY CANDIDATE WHOM THE SPECULATOR INTRODUCED INTO THE GAYETIES OF SOCIAL LIFE.**

A disclosure which surprised the people was the fact that the "reform" candidate for mayor had acted as the financial agent of a land corporation while he was formerly in the city's employ. He had gone abroad during a previous summer, and while drawing pay from the city, negotiated with the bankers of a foreign city for the disposal of three million dollars of bonds of the corporation whose property was located in an outlying part of the city. The offer of bonds was rejected by the bankers, and when the young official returned he collected a fee of five thousand dollars and his law firm submitted an expense account exceeding two thousand dollars. This disclosure was coupled with the announcement that prior to his sailing as financial

agent of the land corporation, the young official had voted to expedite the construction of an elevated line through the property owned by the corporation, though no public need for such line existed.

Such was the state of the public mind when these disclosures were made that they produced no effect on the outcome of the campaign. It was also shown that the land speculator who was the young mayor's social guide, had spent several thousand dollars in aid of his canvass and that other persons who drew large profits from the city, were among his most liberal contributors. ONE OF THESE WAS THE RICHEST MAN IN THE WORLD WHOSE PROFITS FROM THE PEOPLE OF THE GREAT CITY TOTALLED TWENTY MILLION DOLLARS A YEAR; AND OTHERS WERE ALSO BENEFICIARIES OF LARGE PUBLIC SERVICE CORPORATIONS. The people had been aroused over what they regarded as a flagrant abuse of power by the dominant political party and they were determined to rebuke that party for its "arrogance." The governor of the state, elected as candidate of that party, had been impeached and removed from office. "I am punished for my loyalty to the people," he exclaimed, as he was subjected to the prosecution of an impeachment trial. The governor did not take the stand in his own defense, and the fact that he was aiming to create a political machine of his own through misuse of public patronage was not understood or realized by the people. He was removed from office because he failed to account under the law for many thousands of dollars which he accepted as campaign contributions from individuals and corporations. The impeached governor sought "vindication" by running for office as state legislator after his removal, and, though he was elected and served one term, he gradually disappeared from public view. He sought re-nomination as governor two years after his election to that office, but the people had penetrated his sham and lost interest in his campaign.

The campaign for the mayoralty was at its height when public feeling for the deposed governor ran strongest. The latter's friends aided his campaign as candidate for the legislature that year and the agitation they produced insured the defeat of the candidates of the dominant political party. No accusation against the "reform" candidates would be accepted by the people, indignation over the impeachment being the controlling factor in the campaign.

## CHAPTER XXV

### THE FINAL ASSAULT ON THE CITY'S CREDIT CAME WITH AN ATTEMPT TO TURN OVER ITS REMAINING WATER- FRONT TO A PRIVATE CORPORATION — THE HUMBUG OF "EFFICIENCY AND ECONOMY" WAS EXPLODED.

There was still a lingering hope that the city would be saved from bankruptcy when the new "reform" administration took office. The fact that the mayor and his principal associates were important factors in the previous administration which hastened the city's end, was forgotten in the rejoicing over the defeat of the candidates of the dominant party. The city was "saved" from the professional politicians, the reformers exulted. They had lost sight of the fact that their candidates were elected only because of public wrath over the impeachment of the governor. On their merits alone, their candidates would have been rejected at the polls.

The new mayor announced that retrenchment would be his aim. He had made similar announcement when he accepted federal office some months previous, and he followed his announcement then by the appointment of a so-called efficiency squad when only a few weeks in office. One of the reasons for the appointment of this squad was the fact he had discovered "lost motion" among the employes of his office, the young official told the federal legislature. He aimed to save this shocking waste of human energy. The legislature did not appreciate his effort and declined to appropriate the funds for "efficiency" service, as previously told.

For several years prior to the young official's election as mayor, he had been in close touch in previous employment by the city, with a bureau of inquiry supported by private contributions. The bureau was organized by a "leading" citizen who was also an important factor in the private philanthropic society which erected a hospital building on one of the city's newly acquired seaside resorts. The city had purchased a parcel of waterfront from the brother of this "leading" citizen at a cost of several million dollars soon after the bureau of inquiry was organized, but not an inch of the property was used up

to the time the city became bankrupt, though the city lost several million dollars in interest and taxes on the parcel. The bureau made no effort to oppose the purchase of this parcel and it urged the acquisition of the seaside "park," though it had previously condemned its acquisition when the larger area was offered for a smaller sum.

The bureau of inquiry was conducted by three young men, one of whom was a professional accountant, another an employe of the philanthropic society referred to, and the third a former employe of a large corporation in another city. It was said that he had conducted or reorganized the culinary department of that corporation before he engaged in civic work in the Great City. These three young men directed the affairs of the bureau under the supervision of a board of trustees one of whom was the philanthropic citizen referred to, while others were also representatives of great wealth. The bureau forced its way into every city department, particularly those affecting the health, recreation and education of the people, and it aimed to devise a new method of city accounting. This was begun with much duplication of effort and large waste. The bureau experimented at public expense and tons of expensively ruled books and paper were discarded because of faulty preparation. When the city's accounting system was finally changed and a segregated budget established, it was found that the annual cost of city accounting had increased one million dollars and that the bureau had placed on the city's payroll, many of its own employes who were paid as "experts," though they had previously been classed as bookkeepers and accountants.

The influence of the bureau in public affairs was commanding. It recommended changes in various city departments, slipped its own employes into places of importance and obtained vast publicity for its schemes of "improvement." The chief function of one of its directors was to inform the newspapers in as striking a manner as advertising skill could suggest and written blatancy proclaim, every new program proposed by the bureau, and it happened on more than one occasion that the bureau appropriated credit for work done by city employes in no way affiliated with it. The fact that the chief publicity director afterward charged that the work of the bureau was hampered and controlled by the richest man in the world (who owned a large share of the city's bonds) in no wise lessened his activities for the bureau while in its employ. The director of the bureau who replied to the accusation, charged that his former colleague was most diligent in his effort to secure a large donation from the patron he later con-

demned, his disclosure being made before a federal commission investigating the effect of great private fortunes on the people. So controlling did the influence of the bureau become that its representatives induced city officials to discard office furniture that was in excellent condition for use, and to replace it with new furniture at a cost of many thousands of dollars. The discarded furniture was sold for lumber or burned as kindling wood.

As a result of all the favorable publicity which the bureau received in the early stages of its career, it was able to establish branches in other cities with the aid of influential citizens, and it succeeded in extracting large sums of money from these municipalities and from private citizens. The result of their work in these cities was probably on a par with that in the Great City, where private citizens contributed one million dollars in ten years and where the cost of government advanced steadily. When the efforts of the bureau began in the Great City, the annual budgetary expenditures were one hundred and sixteen million dollars. This increased to more than two hundred million dollars at the final windup, not only of the city, but of the bureau itself. The cry of the bureau for several years was "efficiency and economy," but in the face of an ever-growing budget and an ever-rising tax rate, the joke of "economy" was discontinued, the slogan being changed to "efficiency" only.

The mayor's announced policy of retrenchment was acceptable to all the people because of the city's financial plight. Those who followed the course of public events in the Great City realized that the burden of government had become too great. It was also clear THAT, WHILE THE PUBLIC DEBT WAS RISING AND WHILE THE COST OF GOVERNMENT WAS INCREASING, THE PROFITS ON PUBLIC FRANCHISES WERE SWELLING THE ALREADY SWOLLEN FORTUNES OF ONLY A FEW MEN AND FAMILIES. IT WAS ALSO CLEAR THAT THE CITY'S FINANCIAL RESTORATION COULD BE ACCOMPLISHED ONLY BY A RESTITUTION OF PUBLIC PROPERTY. Not a single member of the city's financial board, including the mayor himself, even suggested such a step, though they had taken great pains during recent years to relieve land speculators of real estate which the latter were unable to sell and which they carried only at great loss. This generosity on the part of responsible city officials involved the city in great debt and large financial loss.

The city was deprived for many years of a large share of its rightful income from public service corporations which juggled their accounts to show that no profit remained to the city under the terms of the franchise, and the city lost heavily on other large investments.

As already told, it received no profit whatever (only interest and amortization) on fifty million dollars invested in the first subway, and it received virtually no income from one hundred million dollars invested in four large bridges. The receipts from these bridges was less than the laboring cost of maintenance and the private company which operated the subway profited to the extent of thirty per cent. on actual investment. The railroad company to which the city had virtually turned over three of its four largest bridges, deducted its franchise tax from the charge for bridge use, leaving the city virtually without remuneration. The test of service with these public service corporations seemed to be the extent to which the city could be cheated.

The city received no income and spent half a million dollars each year for the operation of one of its short subway lines constructed at a cost of fourteen million dollars, and it was certain to be without income for interest and amortization on the bonds issued for the new subways. The city was assured of an annual loss of many million dollars so long as these new subway contracts remained in force and the operating companies were guaranteed full earnings on old and new lines and six per cent. on every dollar spent for improvements and extensions for elevated system. The privilege of extending and third tracking these elevated lines was worth many millions of dollars. The city's bonds were only a second lien on the property and the private operating companies were saved several million dollars franchise tax because the city "owned the property." So far as the city was concerned, ownership was only a mockery. The city sold its most valued asset for a certain annual deficit, and it bound itself to maintain indecent subway crowding to keep the deficit down. Under such circumstances the test of cleverness in financial dealings with the city seemed to be in hoodwinking the city until it was prostrate and until its property owners were exhausted.

The city suffered heavy losses from other municipal enterprises. It cost one million dollars in loss of taxes and interest on outstanding bonds each year for the glory of maintaining a municipal building, and it cost one million dollars in loss of taxes and interest and in deficient rental for a row of piers used by the shipping combine. The rental was half that charged by private owners for the same facilities. The

shipping combine failed prior to the city's collapse and the city's income from its docks was otherwise diminished because of the great war. In spite of this fact, the mayor was clamorous for large expenditures for a new marginal railroad and for the purchase of private piers along the waterfront of one of the city's principal boroughs, and he was erecting a row of piers to accomodate large ocean traffic in another borough where a private railroad corporation controlled the waterfront. Two piers under construction cost six million dollars and the city's certain loss on this investment was approximately one hundred thousand dollars a year. The mayor intended to erect other piers along this privately controlled waterfront after the two under construction were finished. In order to enter into these vast enterprises, it was necessary that the city be supplied with money or credit which it did not have and accordingly seventy million dollars of dock bonds were released from the debt limit on the theory that they were self-sustaining. As a result of the great war, the city's dock revenues were diminished and the legality of these seventy million dollars of bonds was questionable.

The city lost one million dollars a year on the operation of its ferries which it purchased from private individuals after profits from ferry operation ceased, due to bridge competition. Large private fortunes had been made out of ferry franchises as told in a preceding chapter. The city was a heavy loser on its gas and electric light franchises as previously told, and it lost on a privilege extended to an oil company to operate a pipe line under the city's streets, across the island borough. This oil company was controlled by the richest man in the world, was capitalized at five million dollars, and one of its chief assets was the privilege which it enjoyed from the city. The net revenue to the city for the franchise was exactly one hundred and forty-nine dollars and fifty cents a year.

The city had leased all its water-front for far less than was obtained by private pier owners for similar facilities, and it was a final assault on the city's credit in connection with its remaining waterfront that brought the city mismanagement to a head. The mayor had determined to turn over a large part of the water-front of one of its principal boroughs to a company to be organized by the railroads with the city as subordinate partner, so that the railroads might acquire the profits of terminal operation. The mayor proposed to buy railroad rights extended by the city to two dock and terminal companies, to purchase their equipment and to connect their lines, and he estimated

the cost at fifteen million dollars. Under the terms of the contract which he prepared when previously a member of the city's financial board, the city was guaranteed five per cent. interest and amortization on only half his estimated cost, seven million, five hundred thousand dollars. In order that the transaction might be fully carried out, it was certain that the cost to the city would be at least twice fifteen million dollars.

The transaction involved the purchase by the city of a vast tract of land owned by the mayor's boon companion, the land speculator, which was to be used as a classification yard by the railroad in connection with the new state barge canal, and the land speculator had already filed a claim of two million, eight hundred thousand dollars against the state for "consequential" damages to his property. He expected a similar sum from the city for the property. In connection with this terminal project the mayor had also proposed the purchase of half a dozen piers owned by one of the two companies whose railroad rights were to be acquired. These piers were to be taken at a cost of ten million, one hundred thousand dollars. THE CITY OWNED VACANT WATERFRONT ADJOINING THESE PIERS, FOR WHICH IT PAID APPROXIMATELY EIGHT MILLION DOLLARS AND WHICH LAY UNUSED FOR MANY YEARS. The bulk of this property was acquired from the brother of the philanthropic citizen previously referred to, while the remainder was purchased from the same land ring that operated with the land speculator whose property was to be taken in this terminal enterprise. The most pernicious part of the project was the arbitrary power which it conferred on the company that operated the terminal railroad, to tax every ounce of foodstuff and merchandise that entered the city through the three-mile strip of water-front which the terminal railroad would serve. The company could fix its own terminal charges and always show that its earnings were insufficient for city profits.

The mayor had his own notions of economy in public matters and he exercised them while in office. As head of the city's investigating bureau several years previous, he had increased the administrative cost of his office thirty per cent., and as responsible member of the city's financial board, he caused a similar increase in the management of the office to which he was elected. As mayor he added two secretaries to his staff, being already supplied with a pair, and these additional aides he required to relieve him of his vast labor. An unsympathetic state civil service body declined to exempt these two addi-

tional secretaries from competition, and after vehement protest, the mayor dispensed with the service of one of them, keeping three in his employ. The mayor as candidate had pledged himself to maintain the integrity of the merit system, but he declined to submit his assistant secretaryships to competitive examination.

# NEW YORK IS BUYING REAL ESTATE FOR \$25,000,000; IT WILL SPEND \$15,000,000 MORE IF PLANS ARE CARRIED OUT

July 26, 1913

Don't buy any more real estate;

save \$10,000,000 a year.

Make part time in the schools under permanent for children under eight years of age. It is a hardship and a waste of pedagogical effort to keep them in school more than a few hours each day. This will reduce the school budget.

Prohibit the sale of corporate stock bonds by the city of New York.

Reduce the millions claimed to have been stolen by the telephone and electric light ~~conduit~~ companies.

Reduce the cost of city lighting from \$5,000,000, which is now paid to private lighting companies; convert city garbage and refuse into electrical energy for public and private use.

Don't buy the private water plants in Brooklyn or Queens; acquire the mains if necessary and save \$20,000,000.

Stop the Dreamland and Rockaway Park grabs; save \$4,000,000.

Build the Court House in City Hall Park on the site of the present structure and save \$11,000,000.

Kill the "civic centre" plan and save \$25,000,000.

Don't build a filtration plant; sell the unused Jerome Park property, save \$10,000,000.

Sell the city's \$14,000,000 un-

used real estate purchased for the

Board of Education or rent it at

fair income.

Kill the Brooklyn Court House

and so-called "civic centre" prop-

erty.

The plan of the Terminal Committee of the Board of Estimate

for a marginal freight railroad along the South Brooklyn waterfront

for yard purposes.

## BUILD THE COURT HOUSE IN CITY HALL PARK AND SAVE THE CITY'S FINANCIAL CREDIT

June 14, 1913

Is there any ground for the opposition that the New York Life Insurance Company wants a "civic centre" located at its backdoor

## SOUTH BROOKLYN WATERFRONT IMPROVE- MENT MEANS MILLIONS OF DOLLARS TO A LAND SYNDICATE, FROM THE CITY

The plan of the Terminal Committee of the Board of Estimate for a marginal freight railroad along the South Brooklyn waterfront for yard purposes.

## 2,7 HOW TO SAVE NEW YORK FROM BANKRUPTCY

Carroll subway construction to essentials only and save \$50,000,000.

Build the Court House in City Hall Park on the site of the present structure and save \$11,000,000.

Kill the "civic centre" plan and save \$25,000,000.

Don't build a filtration plant; sell the unused Jerome Park property, save \$10,000,000.

Sell the city's \$14,000,000 unused real estate purchased for the

Board of Education or rent it at

fair income.

Kill the Brooklyn Court House and so-called "civic centre" property.

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paid to private lighting companies; convert city garbage and

refuse into electrical energy for

public and private use.

Don't buy the private water

plants in Brooklyn or Queens; acquire the mains if necessary and save \$20,000,000.

Stop the Dreamland and Rockaway Park grabs; save \$4,000,000.

Kill the Bronx Parkway plan; save \$3,500,000.

Recover the value of all city franchises.

Reduce the cost of the Catskill water project. There is no doubt

that millions are wasted annually

on this undertaking.

REDUCE REAL ESTATE ASSESSMENTS NEXT YEAR.

Facsimile of headings and article reproduced from KLEIN'S WEEKLY NEWS.

## CHAPTER XXVI

### THE CITY FAILED BECAUSE ITS BORROWING CAPACITY WAS EXHAUSTED, ITS POWER OF TAXATION OVER- REACHED AND ITS PRINCIPAL ASSETS IN THE HANDS OF INDIVIDUALS AND PRIVATE COR- PORATIONS.

The new administration proved a failure, not because it was unable to realize the city's financial plight, but because of inefficiency in checking public extravagance. The threat of bankruptcy had long been felt and it was hoped that the new administration would exert sufficient force to dam the flood that was rising. Its main efforts, however, were directed elsewhere; instead of curtailing expenditures it increased them and indulged in theoretical government. Ten years prior to the city's collapse, its financial prospect was made plain by a former financial officer who, in a carefully prepared document, pointed to insolvency as the city's ultimate end. The warning of this official went unheeded.

At the time the Great City was created through a consolidation of separate communities, one of the largest of these municipal divisions was financially exhausted. Others in the group were likewise embarrassed, and they clung for support to the stronger member of the combination. The management of the Great City during the first four years of consolidation was regarded as extravagant. The annual budgetary expenditures averaged eighty-nine million dollars, while the public debt for the greater city was increased from three hundred and forty-two million to four hundred and twelve million dollars, an average annual increase of seventeen million, five hundred thousand dollars. During the succeeding two years under a "reform" administration, the city's budget averaged ninety-nine million dollars a year and the public debt rose to four hundred and sixty-nine million dollars, an increase of fifty-seven million dollars in two years. During the succeeding six years, under another administration, the city's annual budget averaged one hundred and twenty-eight million dollars, the highest being one hundred and fifty-six million dollars in the last year. THE PUBLIC DEBT WAS NOW SEVEN HUNDRED

AND NINETY-FIVE MILLION DOLLARS, AN INCREASE OF THREE HUNDRED AND TWENTY-SIX MILLION DOLLARS, OR MORE THAN SEVENTY PER CENT. The annual budget was now, at the end of twelve years, MORE THAN TWICE the first year.

The annual budget and the public debt continued to rise each year until insolvency was reached at which time the budget stood at MORE THAN TWO HUNDRED MILLION DOLLARS. THE ENTIRE DEBT OF THE CITY ON WHICH INTEREST WAS PAID WAS LARGER THAN THE DEBT OF THE NATION, IT EXCEEDED ONE THOUSAND, FOUR HUNDRED MILLION DOLLARS. This sum included one hundred and sixty million dollars borrowed in anticipation of taxes, and three hundred million dollars in bonds held in the city's sinking fund. The net bonded debt of the city was approximately one thousand million dollars, an increase of more than two hundred per cent. since consolidation. During that same period the city had actually paid interest on two billion, five hundred million dollars borrowed in various sums each year in anticipation of the receipt of taxes, an average annual loan of one hundred and forty million dollars for eighteen years. Besides this sum the city issued approximately seven hundred million dollars in corporate bonds for "permanent" public improvements, making a grand total borrowing in eighteen years of THREE BILLION, TWO HUNDRED MILLION DOLLARS.

Only a small part of the two billion, five hundred million dollars borrowed for administrative purposes actually left the vaults of the bankers at any one time, the lending institutions advancing money only as needed by the city. The city drew two per cent. interest on the balance which remained in the banks' vaults, and it paid from four to six per cent. interest on the full amount borrowed. The lending institutions made a double profit on the city's money—the regular rate of interest paid by the city less two per cent. interest allowed on deposit and a special rate of interest for loans on "call" to stock exchange houses. When the stock market was active and money scarce, call money rose to ten and fifteen per cent. The profits of the bankers from the city on temporary loans were more than fifty million dollars in eighteen years and their profits on corporate bonds sold for "permanent" public improvements, approximated twenty-five million dollars, the total bankers' profits on city bonds and notes exceeding seventy-five million dollars in eighteen years.

The influence of the bankers in city affairs was controlling, and this was shown not only in the city's continuous borrowing, but in the refunding of eighty million dollars of corporate stock notes which matured soon after the great war began. The city needed twenty million dollars besides this sum, a total of one hundred million dollars, and the bankers declined to furnish this amount for less than six per cent. interest. They also exacted a commission of one million, six hundred thousand dollars in the shape of excess premium on eighty million dollars exchange, and this excess was paid by the Great City in order that foreign bondholders might be paid in gold as demanded. The two banking firms which organized the syndicate to take up the one hundred million dollar loan, paid less than fifteen million dollars in gold on the foreign debt, the balance being taken up in commercial credit. The interest charge on the entire loan was six million dollars the first year and six per cent. on unpaid balances each year until the debt was liquidated. The interest rate on city bonds had advanced steadily and reached four and a half per cent. prior to the war. It was apparent that the city's growing debt was depreciating its credit, and that a climax must soon arise. The face value of each one hundred dollar fifty-year bond at four per cent. was paid three times over before the bond was cancelled, so the city actually owed three thousand million dollars instead of one thousand million dollars when it became insolvent. The habit of mortgaging the future for public improvements had been fostered and encouraged by the bankers whose clients were growing rich out of excess profits on industries and who sought government securities for investment.

The new administration aimed to improve the city's affairs so far as within its power lie, but its limitations were pronounced. The tendency of the administration was toward "efficiency," and it developed a mania for governmental fads and fancies. One of these fads was "social service," and the term was used to extract large sums of money from the city treasury. The nature of this "social service" was revealed through an investigation of the circumstances surrounding the appointment of forty-seven young men and women as so-called social "experts." The pretext for their appointment without competitive examination was that they were "specially" qualified for the work intended by the new charities commissioner. The investigation showed that some of these "experts" were under twenty-one years of age, that others were strangers in the Great City and were appointed only after they paid a "registration" fee to a private

school of philanthropy where the charities commissioner lectured. It was also shown that these "experts" in social service were grossly deficient in the finer sensibilities essential in dealing with the city's poor.

The mayor of the city heatedly charged that the investigation was designed as a political attempt to discredit his administration, but the report of the investigation committee showed that not only was the civil service law evaded in this instance, but that civil service regulations were flagrantly violated in the appointment of about five hundred so-called "experts" during the first year of the new administration. In all, about one thousand names were added to the city's payroll during that period, the aggregate salary roll of ninety million dollars being increased a million dollars thereby. Many of these so-called "experts" acknowledged on the witness stand that they had no previous training whatever in the work at which they were employed in contravention of civil service rules.

The mayor maintained in office a tax commissioner whose inclination was for the single tax; that is, for a tax on real estate only instead of on real estate and personal property. There was more personal than real estate wealth in the Great City, and the tax commissioner's program meant an excessive burden on one form of wealth instead of an even tax on both. When a tax on personal property was first established many years before the city's collapse, personal wealth was assessed at several billion dollars. Taxes were collected on only a small portion of this sum, the bulk of the assessment being "sworn off." Real estate assessments on which taxes were levied INCREASED FROM TWO BILLION, FIVE HUNDRED MILLION TO EIGHT BILLION DOLLARS DURING EIGHTEEN YEARS OF THE CONSOLIDATED CITY, WHILE ASSESSMENTS ON PERSONAL PROPERTY ON WHICH TAXES WERE LEVIED, SHRANK FROM FIVE HUNDRED AND FIFTY MILLION TO THREE HUNDRED AND FIFTY MILLION DOLLARS. It was obvious from these figures that the tax commissioner's efforts to assess the cost of government against real estate had produced the grossest inequality and tax injustice. Among those who suffered were many thousands of persons who invested their savings in city property, in the hope that they would enjoy a competency in later years. These persons were taxed out of their equities because of the shrinkage in real estate values due to excessive and unequal taxation. The records of the real estate auction rooms

during several years prior to the city's failure showed that many parcels were sold for even less than the face value of the first mortgage.

The inefficiency of the new administration was demonstrated when it was proposed by one of the mayor's tax "experts" to tax all private incomes exceeding two thousand dollars a year. This proposal caused deep indignation among the people because a similar tax had recently been instituted by the federal government. The people realized that the administration was incompetent to increase its revenues without inflicting hardship, and their anger was provoked because of the enormous profits derived by private corporations from public franchises without fair compensation to the city. The problem was not one of new sources of revenue or of new taxation, but only of recovering a fair share of the profits of public service corporations. Every source of revenue affecting the people was exhausted, except increased revenue from excessive private fortunes.

Not once did the mayor or a single member of his cabinet propose a genuine program of economic reform, nor did one of them propose the reduction of a single large salary even temporarily. Instead of this, the mayor urged the expenditure of nine million dollars for a new incinerating plant in the hope of future saving, and he insisted on the construction of the marginal railroad. Another responsible member of the city government urged the expenditure of fifty million dollars for new sewers in one of the city's boroughs, and the city also intended to buy all private water plants operated within its limits, at a cost of twenty million dollars. The city was extending its water mains from its new water supply to the districts served by these companies and the profits of the private plants were threatened. One of the mayor's commissioners dismissed several hundred day laborers, though the commissioners and their immediate subordinates enjoyed the comforts of office to the last. They indulged the luxury of city automobiles to and from their homes and places of business and to and from lunch each day, and some of them enjoyed their mid-day meals with representatives of the richest man in the world, who owned a large share of the city's bonds and derived the bulk of profits from public service corporations. The government seemed to be conducted for this individual instead of for the people.

Instead of saving public funds, one of the new commissioners caused an expenditure of thirty thousand dollars for glass partitions in his office in the city's new office building and he exceeded his ap-

propriation during the first year by two hundred thousand dollars. The partitions which were removed had been installed only a few months previous at a cost of several thousand dollars, and the building itself was scarcely finished for occupancy when the alteration was made. Indifference to public welfare or inefficiency marked the conduct of other members of the administration, and the mayor himself was unequal to the task which he had undertaken. His ambition had been overreached and his shortcomings were plain. He was competent in a smaller sphere where economy was no consideration, but there was no opportunity to indulge inefficient "reform" in the Great City at the time of the great crisis. The mayor's temperamental activities were out of place in the office which he occupied. The mayor tried to maintain that the city was in sound financial condition in spite of all indications to the contrary, and he expressed himself emphatically on this point when he rebuked a taxpayer at a public hearing prior to the city's collapse. The taxpayer had protested against a new "civic center" in another borough and asserted that the city was bankrupt.

"Stop that nonsensical talk," shouted the mayor. "The city is NOT bankrupt. It's false."

The mayor was right. The city was not bankrupt; only its taxpayers were "broke." THE CITY'S SOLVENCY DEPENDED ON ITS ABILITY TO BORROW MONEY AND ON ITS POWER TO TAX ALL REAL ESTATE UP TO TWO PER CENT. PLUS THE DEBT SERVICE WHICH AMOUNTED TO MORE THAN SIXTY MILLION DOLLARS ANNUALLY. REAL ESTATE WAS UNABLE TO PAY SUCH A TAX AND THE COLLECTION OF TAXES HAD BEEN RUNNING BEHIND FOR YEARS. THE CITY WAS BUYING ITS OWN TAX LIENS SOLD AT PUBLIC AUCTION, AND IT HAD ISSUED FORTY MILLION DOLLARS TO MAKE UP DEFICIENCIES IN TAXES WHICH WERE UNCOLLECTIBLE. UNDER SUCH CIRCUMSTANCES IT WAS PLAIN THAT THE CITY COULD CONTINUE BUSINESS ONLY ON A BANKRUPT BASIS. THE CITY'S DEBT WAS GREATER THAN ITS PHYSICAL ASSETS AND ITS POWER OF TAXATION WAS EXHAUSTED.

EITHER PRIVATE PROPERTY WOULD HAVE TO BE CONFISCATED TO DEFRAY THE EXCESSIVE COST OF GOVERNMENT OR THE CITY MUST RECOVER A LARGE SHARE OF THE PROFITS ON PUBLIC FRANCHISES TO

REDUCE THE BURDEN ON REAL ESTATE. THE FUTURE OF THE CITY WAS PLEDGED TO THE LIMIT AND THE COST OF NEW IMPROVEMENTS COULD BE MET ONLY OUT OF CURRENT EXPENDITURES. THIS MEANT THAT PUBLIC IMPROVEMENTS MUST CEASE OR THAT THE BUDGET WOULD BECOME PROHIBITIVE. THE CITY WAS AT THE END OF ITS FINANCIAL RESOURCES, UNLESS PERSONAL PROPERTY WAS ADEQUATELY TAXED AND UNLESS THE BULK OF PROFITS ON PUBLIC FRANCHISES REVERTED TO THE CITY.



The population of the City of New York is estimate at	5,600,000
The permanent outstanding debt of the City of New York (long term bonds) including exemptions from the debt limit on which interest is paid, is approximately .....	\$1,100,000,000
The permanent and temporary debts of the City of New York are approximately.....	\$1,400,000,000
The City of New York spends annually for routine administration, approximately .....	\$140,000,000
The city spends annually for "permanent" public improvements, approximately .....	\$55,000,000
The city spends annually for interest on the public debt, approximately .....	\$45,000,000
The city spends annually for redemption and amortization of the public debt, approximately.....	\$15,000,000
The annual cost of government in the City of New York, including debt service and expenditures for public improvements, is approximately.....	\$255,000,000
This sum means an annual expenditure for every man, woman and child in the community of.....	\$45.53
Or, an annual expenditure for every family of five, of ..	\$227.65

The people of the City of New York pay annually for gas to private companies, approximately.....	\$44,000,000
The people of the City of New York pay annually for electric current to private companies, approximately.	\$34,000,000
The people of the City of New York pay annually for carfare to private transportation companies, approximately .....	\$95,000,000
The people of the City of New York pay annually for telephone service to private companies, approximately .....	\$30,000,000

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The people of the City of New York pay individually each year for gas, an average of.....	\$7.86
The people of the City of New York pay individually each year for electric current, an average of.....	\$6.25
The people of the City of New York pay individually each year for carfare, an average of.....	\$16.96
The people of the City of New York pay individually each year for telephone service, an average of....	\$5.36

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The people of the City of New York consume about **one-fifth** of all the gas manufactured in the United States.

The people of the City of New York use about **one-quarter** of all the electric current generated in the United States.

The people of the City of New York pay about **one-tenth** of all the money spent for local transportation in the United States.

The people of the City of New York pay about **one-eighth** of all the money spent for telephone service in the United States.

The total capitalization (stocks and bonds) of gas, electric and transportation companies in the City of New York is ..... \$1,221,541,672

The total capitalization (stocks and bonds) of transportation companies is ..... \$840,319,065

The total capitalization (stocks and bonds) of gas and electric companies is ..... \$381,222,607

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Total operating revenues of gas, electric and transportation companies in the City of New York each year are ..... \$173,000,000

Transportation ..... \$95,000,000

Gas ..... 44,000,000

Electric ..... 34,000,000

Total net earnings of gas, electric and transportation companies in the City of New York each year are.. \$65,200,000

Transportation ..... \$38,000,000

Gas ..... 10,700,000

Electric ..... 16,500,000

Accumulated surpluses of gas, electric and transportation companies in the City of New York are..... \$76,000,000

Gas and electric..... \$57,000,000

Transportation ..... 19,000,000

**The American Telephone and Telegraph Company (Bell system) reports on Dec. 31, 1914, that its outstanding capital (stocks, bonds, and notes) is.....\$794,714,907**  
**Physical value of all Bell plants is appraised at.....\$847,204,803**  
**Company claims to have added to physical value of plant from Jan. 1, 1900, to Dec. 31, 1914.....\$696,960,500**  
**Company claims to have surplus and reserve fund on Dec. 31, 1914, of.....\$189,955,149**  
**Net revenues of American Tel. & Tel. Co. increased from \$5,486,058 in 1900 to \$32,334,814 in 1914; dividends increased from \$4,078,601 in 1900 to \$27,572,675 in 1914.**

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**The people of the City of New York contributed about one-eighth of the profits and surplus of the American Tel. & Tel. Co.**

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**The profits of all public service corporations in the City of New York are based on public franchises and the physical value of all public service properties has been created out of surplus earnings, over and above operating expenses, interest, dividends and depreciation.**

The City of New York has invested in the present operating subway, approximately.....	\$56,000,000
The operating company claims to have invested in equipment and part construction of the road.....	\$48,000,000
Subway tickets sold from Oct. 27, 1904, when traffic began, to June 30, 1914.....	2,332,401,435
<b>Total operating revenues to June 30, 1914.....</b>	<b>\$120,084,198</b>
Total operating expense to same date.....	\$49,549,845
Rental to city (interest on outstanding bonds and sinking fund) .....	\$20,549,845
<b>Operating company's gross profits to Dec. 31, 1914....</b>	<b>\$49,000,000</b>
<b>Operating company's surplus profits over 6 per cent. on investment, to same date.....</b>	<b>\$27,500,000</b>

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The City of New York is spending for new subways.... \$164,000,000  
 The operating companies, under contract with the city,  
 are spending ..... \$166,000,000

Under the terms of the new contracts, the city's bonds are a subordinate lien against the earnings of the new subways. The city will receive **not one cent** revenue from the new subways for at least ten years, while the private operating companies are **guaranteed excessive earnings** on old and new subways and on the elevated system, and six per cent. interest on all sums expended for extension of the elevated lines.

The outstanding debt of the City of New York on Dec. 31, 1911, according to the federal census, was.....	\$1,096,860,999
The combined debts of the 17 next largest cities, includ- ing Chicago, Philadelphia, St. Louis, Boston, Cleve- land, Baltimore, Pittsburgh, Detroit, Buffalo, San Francisco, Milwaukee, Cincinnati, Newark, Los An- geles, New Orleans, Washington, D. C., and Minne- apolis, were .....	\$804,306,512
The total population of N. Y. City, in 1910, according to the federal census, was.....	4,766,883
The total population of the 17 next largest cities, accord- ing to the same census, was.....	10,430,818
The per capita debt of the City of New York, based on the federal census report, was.....	\$230.10
The per capita debt of the 17 next largest cities, based on the federal census, was.....	\$77.11

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The federal census reports the revenues of 184 largest cities in the United States (including N. Y. City) in 1911 as.....	\$799,130,719
Expenditures of same cities during same year.....	\$921,242,802

The federal census adds:

"The indebtedness of the 184 cities at the close of the fiscal year 1910 was \$2,423,977,928, and one year later it was \$2,618,107,501, showing an increase of 8 per cent. The figures show that, taken as a whole, the cities are increasing their payments for cost of government (including outlays), faster than their revenues, and as a result are increasing their indebtedness even faster."

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WILL ALL THE CITIES BECOME BANKRUPT AS A  
RESULT OF THIS RAPID ACCUMULATION OF DEBT?

**Real estate property in the City of New York is assessed at ..... \$8,108,763,237**

**Personal property is assessed at ..... \$352,051,755**

There is twice as much personal wealth in the City of New York as real estate wealth. If the tax on real estate and personal property were equalized—that is, if the aggregate assessment on each were the same—the tax rate on real estate would be about one half.

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Real estate assessments against which taxes are levied, increased from \$2,532,516,819 in 1898 to \$8,108,763,237 in 1915. Personal property assessments shrank from \$548,987,900 in 1898 to \$352,051,755 in 1915. Personal property pays about four per cent. of the total taxation each year; real estate pays ninety-six per cent.

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The population of the City of New York increased from 3,272,418 in 1898 to 5,600,000 in 1915. Personal property consisting of stocks, bonds, mortgages, etc., has more than doubled in value during the same period. Instead of increasing assessments on personal property they diminished thirty-five per cent., while the total real estate assessments increased more than three hundred per cent.

**The profits on public franchises in the City of New York have created EXCESSIVE private fortunes for only a few individuals and families.**

**The physical value of ALL public service properties in the city has been created out of SURPLUS earnings over and above operating expenses, interest, dividends and depreciation.**

**If the city recovered the profits on public franchises, taxation on real estate would be reduced one-half.**

**HOW ELSE CAN THE BURDEN ON REAL ESTATE BE LIFTED ?**



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**DO YOU KNOW** that John D. Rockefeller and his associates draw a large share of the profits of industrial and public service corporations and that they own a vast amount of government, state and city bonds?

**DO YOU KNOW** that they control the industrial life of the nation?

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